

Pensions & Investment Age

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The newspaper of corporate and institutional investing • \$2.50 an issue • \$52 a year • February 21, 1983



Termination of plan key to restructuring

Political ally helped clear flight path

By Joel Chernoff

WASHINGTON—Financially strapped Western Air Lines Inc. enlisted the political clout of Sen. Orrin Hatch, R-Utah, to help it win approval of the termination of a pension plan so it could recapture more than \$20 million in excess plan assets.

Recapturing the excess was a critical part of Western Air's financial restructuring, with \$75 million in new financing hinged on it.

The financing deal might have collapsed without favorable rulings from the Internal Revenue Service and the Pension Benefit Guaranty Corp. on key benefits that were amended out of the plan just prior

to termination.

But before the financially troubled company could get those rulings, it had to enlist the aid of Sen. Hatch, who presented the firm's case to a bevy of senior-level administration officials, including Treasury Secretary Donald T. Regan and Labor Secretary Raymond J. Donovan.

Sen. Hatch was attempting to help rescue a company that had recently moved its hub of operations to Salt Lake City, and is a major employer in the state.

Ultimately, Western was successful, and tied up the financing deal in early January. The reversion of assets came a little later

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Doug Love:

Hedge operating risks with pension assets

By Steve Hemmerick

SAN FRANCISCO—The major stockholders, not the employees, bear the major risk not only for the operating company but also for the investment of company pension assets, said Douglas Love, a senior vice president with Buck Consultants, New York.

Consequently, he suggests a company could "intelligently" use its pension assets to hedge its own operating risks.

By hedging some of those operating risks with pension assets, he said recently at a conference, the

company also would hedge risks for those that hold major stock in the company. Major stockholders often are institutional investors.

He was asked: Isn't using pension money to hedge company operating risks at odds with statements made by advocates of social investing? "Yep," was Mr. Love's reply.

Asked why it would be fair to hedge the risks of the stockholders with pension money, Mr. Love said the investment risks of pension "trust" assets "clearly" have been shifted by Title 4 of the Employee Retirement Income Security Act to

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AT&T reorganization

Union seeks to block pension plan breakup

By Joel Chernoff

WASHINGTON—The Communications Workers of America union wants a federal court judge to disconnect the American Telephone & Telegraph Co.'s plans to break the Bell System Pension Plan for hourly workers, and its \$17.3 billion fund, into eight separate pieces.

In asking U.S. District Judge Harold Greene to block the move, the union argued the breakup of the plan and its fund affects labor relations and should be subject to collective bargaining.

The breakup of the plan and fund into eight parts, spread among the parent company and seven re-

gional operating companies to be divested in early 1984, is part of AT&T's proposed reorganization plan devised to settle an antitrust suit by the Department of Justice.

In size of assets, the hourly plan's



fund is the second-largest private pension fund in the nation, only ranking behind AT&T's management plan, which has \$18.5 billion in assets.

The union is trying to keep the plan and fund intact to safeguard its members' benefits and keep those benefits uniform nationwide. Moreover, it is trying to strengthen its bargaining power for negotiating with AT&T, the proposed regional operating companies and perhaps others in the growing telecommunications industry.

"It's more efficient for the company to maintain a centralized plan" than to break it up, said Duayne Trecker, a union spokesman.

The union ultimately hopes for joint administration of the pension plans, according to Mr. Trecker, who added "I think that umbrellas

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Contribution made amid California's cash crisis

By Steve Hemmerick

SACRAMENTO, CALIF.—The state made a long overdue \$187 million contribution to its two largest pension funds within 24 hours of a three-judge panel's ruling that California had no right to withhold the money.

The contribution comes amid a tight cash squeeze and financial crisis in the state. California has a budget deficit of just below \$2 billion, and the state's Democratic Legislature and new Republican governor have been deadlocked in recent weeks over how to lower the deficit.

The 125,000-member California State Employees Association was followed by the 140,000-member California School Employees Association in suing the state controller last spring for withholding the contribution.

The suit claimed the state unconstitutionally violated a contract with current and retired state employees when it withheld three months of pension contributions to the \$18 billion California Public Employees' Retirement System and the \$10 billion California State Teachers' Retirement System.

After hearing final arguments, and a six-month wait, the 3rd District Court of Appeals in Sacramento agreed with the employees.

The employees breathed a sigh of relief. Ben Allamano, chief counsel for the state employees said, "We had word the Legislature was going to take another five-month bite (in contributions) from the retirement systems. By filing the law suit and scaring them (the legislators) off, we have stopped an eight-month

raid."

Deputy State Controller John Jervis said he also had heard the Legislature was taking a second look at the pension funds. The Appeals Court ruling will "put a damper" on that, he added.

The quick transfer of the money back to the retirement systems occurred because the amount had been set aside by State Controller Ken Cory, who believed the employees would win their case—and also agreed with their stand. The

employees had sued the controller because of the difficulty in suing the Legislature, and because the money technically was under Mr. Cory's control.

But Mr. Jervis said Mr. Cory never thought the judge would rule otherwise.

Early last year, the Legislature approved a bill withholding the contributions, saying the money the retirement systems had set aside for deficiencies was state

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Late news

Oil and gas nets 10

DALLAS—E-Systems, Honeywell, Hallmark Cards, United Technologies Corp., and reportedly GTE Corp., Signal Cos., Xerox Corp., Rockwell International, Hughes Aircraft Co. and Atlantic Richfield Co. are the investors in Trust Co. of the West's oil and gas program.

The 10 funds pumped \$100 million into TCW's first oil and gas deal, a commingled debt and over-riding royalty fund. For most of them, this is their first exposure to oil and gas investments.

Kodak pension costs

ROCHESTER, N.Y.—The Eastman Kodak Co. reported it had lower pension costs because of a change in actuarial method and revised actuarial assumptions. The lower costs boosted net earnings for the year by \$80 million, or 49 cents per share. Net earnings for 1982

were \$1.16 billion, or \$7.12 per share, 6% below the \$1.24 billion, or \$7.66 per share, reported for 1981. In late 1982, Eastman Kodak contributed 3 million shares of Kodak common to its pension fund in lieu of cash; the stock contribution was valued at \$42 million.

Byrne retreats on plan

CHICAGO—In the middle of the mayoral primary, incumbent Jane M. Byrne backed down on her recommendation that the assets of five city pension funds, totaling \$2 billion, be commingled for the purpose of investment.

Her move came in response to the strong negative reaction by the funds to her proposals, announced in late December.

In a letter to the Teachers' Pension & Retirement Fund of Chicago, Mayor Byrne wrote, "I will not include (the proposal to commingle the funds) as part of any legislative

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\$50 million for plan participants**A&P captures \$200 million in termination settlement**

By Richard J. Gillespie

NEWARK, N.J.—The Great Atlantic & Pacific Tea Co. has won a settlement allowing it to capture more than \$200 million in surplus assets from its pension fund. The agreement comes after 15 months of legal wrangling.

Ironically, A&P executives as far back as 1973 had feared that a corporate raider could take over the company, terminate the plan and use excess assets to recoup its expenses; the pension plan was then amended to state that excess assets would revert to employees.

In 1979, Tengemann Group of West Germany acquired control of A&P in a rescue bid; the pension plan was later amended to allow the company to regain any excess assets.

U.S. District Court Judge Frederick B. Lacey approved the settlement over the objections of William I. Walsh, a retired company executive and the plaintiff representing the original class action.

The agreement was reached out

of court between lawyers representing a group of employees in a class action and those representing the company.

Under the agreement, plan participants will receive approximately \$50 million, enough to award them an across-the-board increase in benefits of up to 15%, according to the court.

In approving the agreement, Judge Lacey ruled the company had the right to amend the pension plan to state that all excess assets would revert to the company and not the plan participants; the amendment was made just before the plan was terminated.

A&P executives testified in court that the plan was amended in 1973 to state the excess assets should go to the employees because the company feared a "corporate raider" might, after acquiring the company, terminate the plan and take any excess assets.

In 1981, about two years after the Tengemann Group acquired control of A&P, the plan was amended so the Tengemann Group could

take the more than \$200 million in excess assets.

Of the more than \$200 million reverting to A&P, \$130 million was recognized as an extraordinary gain in its 1981 earnings. A further \$70 million will accrue to the company upon termination for accounting purposes.

James Wood, chairman and chief executive officer, had said in an affidavit that \$130 million of the proceeds of the termination was needed to ensure the survival of the company.

Mr. Walsh did not approve the settlement and might appeal, although a spokesman for Shea & Gould, a law firm representing the plaintiff class, said such an appeal was not likely. Shea & Gould had broken with Mr. Walsh over the settlement.

In his opinion, Judge Lacey concluded that under Section 8 of the document, the company's obligations to its retirees extend only to the plan liabilities. He said "liabilities" prior to termination could not

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Late news

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package that will be prepared to enact the various recommendations." In the same letter, the mayor said she had reviewed her proposal on setting up an investment board with discretionary power over the funds, and is now suggesting the board only act in an advisory capacity.

Unisex study results

WASHINGTON—A recently completed Department of Labor study has estimated the cost of unisex benefits to the nation's public and private pension plans could run as low as \$85 million or as high as \$1.7 billion annually, depending on the remedy required. These cost estimates are expected to be presented in hearings this week on Rep. John Dingell's bill, H.R. 100, which seeks to eliminate sex-based pension and insurance benefits. The estimate under the highest-cost scenario, where both current and future retirees' benefits would be equalized retroactively, and no employee's benefits lowered, is \$1.7 billion, according to Marguerite Connerton, senior Labor Department economist who conducted the study. This figure is far below the often cited \$5.5 billion estimate made by the American Academy of Actuaries.

Yale aids renovation

NEW HAVEN, CONN.—Yale University, the city of New Haven, Aetna Life & Casualty Co., 10 local banks, a private foundation and another insurance company are investing \$23 million in a \$28.7 million redevelopment of a downtown shopping center here by the Rouse Co. of Columbia, Md.

Rouse is putting in \$1.7 million and is also buying a \$5.7 million assumable mortgage from the New York State Teachers Retirement System. The developer agreed to pay the balance owed on the 30-year mortgage, which the pension fund originally lent to finance Chapel Square Mall built in 1962.

Of the \$23 million in new financing, Yale's \$900 million endowment fund put in \$1.5 million of the \$16.5 million raised from 14 private sources. According to David K. Storrs, Yale's director of investments, it receives a base interest rate and a percentage of excess cash flow on the 25-year loan.

Pan Am deferral OK'd

NEW YORK—Pan American World Airways has been given the go-ahead to defer pension payments amounting to \$133 million due on Sept. 15, 1982.

This is the second waiver of pension contribution payments given to Pan Am by the Internal Revenue Service since 1981.

Information on this recent pen-

sion deferral was contained in Pan Am's \$150 million debt offering prospectus, offered Feb. 10.

Beginning in April, Pan Am is required to make monthly payments of \$12 million to an escrow fund to cover its 1982 pension fund contributions.

M.D. Sass hires Fine

NEW YORK—M.D. Sass Investors Services has hired Richard Fine as a vice president and portfolio manager, according to a spokesman.

Mr. Fine joins Sass from Sanford C. Bernstein & Co., where he was a senior portfolio manager and helped develop investment policy and investment strategy.

PBGC penalty rule

WASHINGTON—The Pension Benefit Guaranty Corp. has proposed that the interest rate charged employers on late payments to a multiemployer pension plan for withdrawal liability be based on the prime rate.

The proposed rule, which also would apply to defaults on withdrawal liability payments, would set the interest rate on the average prime rate on short-term commercial loans, as published by the Federal Reserve Board.

Under the Multiemployer Pension Plan Amendments Act of 1980, an employer withdrawing from a multiemployer plan generally is liable for part of the plan's unfunded vested benefits.

Separately, the PBGC proposed making it easier for buyers and sellers of company assets to avoid certain withdrawal liability problems. Under the proposal, the buyers and sellers would be exempt automatically from bond/escrow requirements and sale-contract rules if they notify the PBGC and meet one of three criteria.

The pension law allows that withdrawal liability will not occur in a sale of assets if those requirements are met. The provision mostly benefits smaller firms.

Real estate increased

OKLAHOMA CITY, OKLA.—Kerr-McGee Corp., with \$135 million in actively managed pension assets, increased its commitment to real estate with Wachovia Bank & Trust Co., N.A., Winston-Salem, N.C., according to H.H. MacPherson, manager, investment and financial analysis.

The pension fund has been investing in Wachovia's open-end commingled real estate fund since October 1981. The fund is oriented to industrial properties scheduled for development or already partially developed, he said. Mr. MacPherson said the additional assets came out of cash flow, but did not specify the amount.

\$4 billion Alaska permanent fund to diversify into new investments**Bulk is now in Treasury notes, CDs, banker's acceptances**

JUNEAU, ALASKA—The Alaska Permanent Fund will be looking at new ways to invest its \$4 billion in assets now that it has been established as an organization independent from the state treasury.

The fund, which receives 25% of state oil royalties expected to add \$400 million, is an endowment set up to help the state financially now and in the future. It made national news last year when some of its interest income was used to give each state resident a check for \$1,000.

The bulk of its assets is invested in Treasury notes, certificates of deposit and bankers' acceptances. But the fund's trustees are expected to discuss future investments in equities, corporate bonds and real estate in and outside of Alaska, according to David Rose, the fund's new executive director.

This is the third time Mr. Rose will help establish a major organization. He is the former executive director of the Alaska Municipal Bond Bank and an executive with the Alaska Industrial Development Authority.

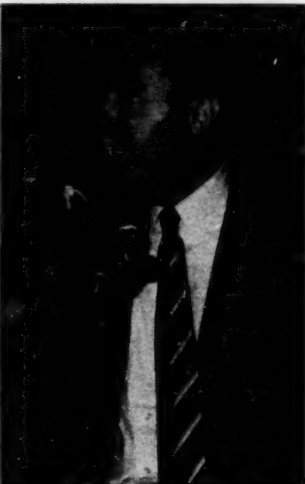
Picked as the new controller for the fund is Peter Bushre, former Alaska deputy commissioner of revenue—an appointed position but equivalent to state treasurer in other states.

A replacement for him has not yet been named by Gov. Bill Sheffield.

Trustees of the fund are some of the top businessmen and officials in Alaska. They include Byron Malott, chairman and chief executive officer of Sealaska; George Rogers, economist; Arnold Espe, chairman of Alaska Pacific Bank Corp.; Norman Gorsuch, state attorney general; Steve Cowper, an attorney who had sought the Democratic nomination for governor; and Robert Heath, new state commissioner of revenue. Mr. Heath recently had been chief administrative officer for Western Airlines.

If and when the fund moves into real estate, it is likely to look at equity and debt "on a pooled arrangement or joint venture basis," according to Mr. Rose.

The principal of the fund is left untouched, and the fund is allowed



Peter Bushre: New controller for the Alaska permanent fund

to keep an amount earned that would be equivalent to the impact of inflation on the fund, according to Mr. Bushre.

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Vol. 11, No. 4—Pensions & Investment Age (ISSN 0273-5466) is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 740 Rush St., Chicago, Ill. 60611. Copyright 1983.

Chase, Daiwa join for growth firm investing

NEW YORK—Chase Investors Management Corp. and Daiwa International Capital Management Co. have combined to invest \$35 million of Japanese institutional assets in U.S. small capitalization growth companies through a unique investment vehicle.

The assets from the Japanese institutions, which include 10 of the 20 Japanese life insurance companies, property and casualty insurance companies and trust banks, are expected to grow to \$50 million by the end of the year. They include Japanese pension assets managed by the life companies and

trust banks.

According to Larry Weber, vice president at Chase Investors Management, the investment vehicle looks like a private placement of an open-end mutual fund, but the shares held by the institutional investors are floating-rate preferred stock. This is to meet the Japanese institutions' needs for income rather than capital appreciation.

Each year, according to Mr. Weber, a dividend payment will be negotiated with the investing institutions, and the dividend will consist of interest, dividends and rea-

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Trust departments lend securities for clients

Lending hits \$5 billion despite uncertainty

By Lynn Griffo

NEW YORK—Eight leading banks lending securities for master trust, custody and employee benefit clients have about \$5 billion out on loan on behalf of those clients, according to a recent *Pensions & Investment Age* survey of banks.

And the securities lending business has been particularly brisk since Chase Manhattan Bank got out of lending for clients after the collapse of Drysdale Government Securities.

Nonetheless, the extent of a bank's responsibility and liability for collateral in the event of a securities firm bankruptcy remains unresolved.

For pension funds, securities lending became in vogue two years ago when the Department of Labor gave the greenlight for funds to lend securities on a portion of a portfolio in order to earn additional income. Major master trust banks, at that time, began offering securities lending programs for their pension fund clients, in addition to other public, endowment and foundation fund clients.

Then last summer, the Chase Manhattan/Drysdale Government Securities affair raised issues concerning bankruptcy, when Chase had to make good on loans after Drysdale defaulted on an interest payment.

Those involved in lending began to question whose collateral—the lending institution's or the lender's—is out on loan if a brokerage firm goes under.

Ironically, because this is a legal

issue involving bankruptcy laws, the question probably will not be resolved for some time or until another brokerage firm goes under and there isn't a well-capitalized bank, such as Chase, to cover the payment.

But despite the uncertainty, a survey of banks—Bank of America, Bankers Trust, Citibank, Harris Bank, Irving Trust, Manufacturers Hanover Trust, Northern Trust and State Street Bank & Trust—revealed a brisk securities lending business, and some said it increased considerably since Chase terminated its program in the wake of the Drysdale affair. (Chase since has announced plans to restart it.)

Alvin Kuhn, vice president at Bank of America, said its securities lending business has increased as much as 300% since Drysdale.

While this percentage increase is atypical and not expected to continue once Chase gets back into lending, (*P&I Age*, Jan. 10), a marked interest in securities lending still exists from pension funds, master trust and custody clients.

Specifically, according to sources, the action in lending is heating up in the state and county pension fund markets.

Irving Trust, for example, recently won the Hawaii Employees' Retirement System account. In addition to winning the account containing more than \$1.5 billion in assets, Irving also gets a negotiable securities lending portfolio consisting of 75% of that figure.

Citibank will be running a securities lending portfolio for the New York City Retirement Sys-

tem, which is starting a lending program of about \$3.5 billion to \$4 billion in the next few months (*P&I Age*, Jan. 24).

Two years ago, marketers for lending institutions avidly sought out the huge assets available for lending from employee benefit funds and won accounts by stressing the "riskless," easy-money, aspects of the game.

At the time, many a tale was told of the potential to earn impressive figures through securities lending, with an annualized 300 to 400 basis point return not at all uncommon.

In retrospect, sources said, al-

though the spreads both the lending institutions and the lenders can earn have halved, and even the unlikely "worst case" scenario of a brokerage firm going under hit too close to home for some, securities lending remains a viable avenue for a sizable pension fund if the risks and rewards are adequately analyzed beforehand.

The eight banks contacted in the survey said lending continues to be a worthwhile accommodation for clients and the service will be offered as long as there's enough of a spread there to warrant offering the additional service.

"Before February 1981, there wasn't a lot of supply and the margins were pretty high," said Allan Martin, vice president and trust head at Bankers Trust. "Once pension funds got into it, it was expected the margins would decrease, and they did."

But he added: "We don't see people flocking back into the market, so there's enough return there to warrant the securities lending program," Mr. Martin said.

Bankers Trust uses a prorate queuing system for its lending program.

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Trust department securities lending

	Amount out on loan (\$ millions)	Total lendable portfolio (\$ millions)	Number of brokers dealt with	Number of employees in lending unit
Bank of America	550	5,000	20	12
Bankers Trust*	350**	2,000	9	11
Citibank	800	7,500	26	21
Harris Bank	550	4,000	20	12
Irving Bank	500	6,500	46	20
Manufacturers Hanover	900	5,000	60	24
Northern Trust	800	8,000	1st tier	16
State Street Bank	na	5,000	15***	15

*Only lends corporate securities figure.

**Includes only employee benefit clients.

***All in top 40 in terms of capitalization.

High '82 returns mean only modest pension cost drop

But gains may show up in corporate financial statements

By Steve Hemmerick

LOS ANGELES—Sharp appreciation in assets held by pension plans last year may result in some corporate financial statements showing greatly reduced unfunded pension liabilities—or no unfunded liabilities at all.

But chief financial officers generally can expect only modest reductions in pension contributions this year, actuaries say.

According to actuaries, sharp increases in the value of pension assets won't mean sharp drops in company pension costs. The reason for this is, in part, because the actuarial gains made are averaged for 15 to 20 years within the company. The public often is confused about unfunded liabilities, and actuaries explain many factors make it appear confusing.

Henry Erk, an actuary with the consulting firm Meidinger Inc., said, "There are a lot of different unfunded liabilities. There is the one that is reported on the notes to the financial statements, which just reflects accumulated benefits to date vs. market value of assets; and there is the unfunded liability that may be used for funding purposes that is normally a totally different number."

When the markets are bad and

salaries are high, the unfunded liability appearing on the financial statement might go up sharply, but the internal "smoothing" process used inside the company to fund pension benefits would be much less affected because it views pension costs from a long-term perspective. That perspective avoids "wild gains or losses" that might show up for a particular year.

James Biggs a principal with Peat, Marwick, Mitchell & Co., said, "If you are focusing on the

year.

However, "You might only recognize \$2 million of that \$10 million this year in your asset value, and then only 15% of that \$2 million is directly deducted from the current year costs so that a \$10 million increase in value may well filter down to only a \$300,000 change in the cost of the first year," he said.

It might result in only a \$300,000 change in the first year because the \$2 million will be amortized over 15 years.

He explains a company could be using a five-year average in its asset value, and then amortize the gains from the five-year average for a 15-year period.

"What will happen," he said, "is that the effect will start small in the first year. You will get a bigger effect in the second year, bigger in the third, bigger in the fourth and fifth year."

In that fifth year, the effect whether good or bad, will remain steady through year 15, and then taper off in the next four years. Nineteen years are involved because the fifth installment under the five-year averaging process will be amortized itself over 15 years.

A situation where dramatic reduction in pension costs might

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"A \$10 million increase in value may well filter down to only a \$300,000 change in the cost of the first year"

number that appears in the notes to the annual statement, you are going to have a lot more companies that will have no unfunded value of accumulated benefits, or a significant reduction in the amount" as a result of 1982 market gains.

However, he said, it is the "gross liability" the actuary calculates, for funding takes in account such factors as future salary increases, and this is balanced against the "smoothed" value of assets.

As an example, Mr. Biggs said a particular pension plan might get \$10 million in appreciation in one

January moves

Investment shifts total \$9.5 billion

By Lynn Griffo

NEW YORK—Pension sponsors made investment management changes involving more than \$9.5 billion reported in January.

A surprisingly large amount of the assets went the alternative investment route, with international money managers and real estate managers garnering a respectable chunk of the money *Pensions & Investment Age* tracked in its January issues.

The big international news in January was General Motors Corp.'s reported hiring of 10 managers amounting to a move of \$250 million to these managers, sources said.

Also on the international scene, Rexnord Inc. hired two managers to run about \$20 million in international markets.

Much of the excitement reported in January centered around a few huge public and corporate pension funds making wholesale manager hirings.

The Minnesota State Board of Investment hired 15 equity managers to run \$590 million, Levi Strauss & Co. added six for stocks, Singer Co. chose four, W.R. Grace & Co. selected four for equities and the Maryland State Retirement Systems selected five specialty growth-stock managers to run about \$135 million in assets.

On a more unique note, other hirings of interest involved Citibank being tapped to run a \$3.5 billion to \$4 billion securities lending portfolio for the New York City Retirement Systems and Bankers Trust's hiring to run the California Public Employees Retirement System's modified index stock fund for an estimated \$1 billion to \$3 billion in assets.

Below is a list of hirings of managers and the clients they picked up, as reported by *P&I Age* in January. Not all amounts were available.

ABD International Management Corp.

Rexnord Inc.-international; about \$10 million.

Aldrich, Eastman & Walth Inc.

International Union of Operating Engineers-real estate; approximately \$75 million.

Fred Alger Management Co.

Minnesota State Board of Investment-equity; \$50 million.

Alliance Capital Management Corp.

Minnesota State Board of Investment-equity; \$50 million.

Avatar Associates

Singer Co.-equity.

Bankers Trust Co.

California Public Employees Retirement System-stock index fund; \$1 billion to \$3 billion.

Baring International Invest-

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Cash Management

New feature tracks Fortune 100 cash positions

3rd quarter cash holdings are \$43.5 billion

By Richard Gillespie

With this issue, Pensions & Investment Age will begin keeping tabs on the cash and short-term positions of the 100 largest industrial corporations in the United States.

The data is being supplied by Wright Investors' Service of Bridgeport, Conn.

The reports will appear on a quarterly basis in the future.

The figures in this issue date from the end of the third quarter. In April, P&I Age will report figures for year-end 1982.

The data show which companies have cash and which do not.

More particularly, figures showing the 10 largest portfolios, the 10 largest percentage year-on-year increases and the 10 largest percentage decreases, will be published quarterly.

NEW YORK—Ninety-one of the Fortune 100 companies held a total of \$43.5 billion in cash and marketable securities at the end of the third quarter 1982.

That is down 0.68% from \$43.8 billion reported at the same time in 1981, according to a P&I Age survey. Data on the Fortune 100 is supplied by Wright Investors' Service. Data on 10 of the companies was not available.

The cash holdings of the five largest corporations on the list, with a combined total of \$11.7 billion, were 10% higher than on the same date in 1981. The 10 largest, with more than \$18 billion, showed a 30% increase, while the bottom five corporations lost 13.5%,

and the bottom 10 lost 11%. The cash portfolios of the 10 corporations in the middle of the Fortune 100 dropped by an average of 11%.

The trends are somewhat reversed for the quarter-on-quarter figures, with an 11% decline from the previous quarter for the top five corporations, and an 8.7% decline for the top 10; the bottom five were up 12.5% from the previous quarter, largely due to Anheuser-Busch Cos.; and the bottom 10 were up 1.5%.

Although large increases in cash holdings may indicate a more efficient cash system, experts warn cash holdings should not be looked at in isolation.

Scott Black, president of Delphi Capital Management, Boston, noted companies play around with their balance sheets, dressing them up for reporting purposes.

This means the reported figures do not truly reflect actual corporate liquidity, he said. In an analysis of corporate liquidity, Mr. Black advised looking at the cash position netted against liabilities, or taking the "free cash flow," which shows the source and application of funds.

Fundamental and cyclical economic changes also would distort the figures over time, as would cash flow requirements, which vary from quarter to quarter.

In addition, many corporations pay out their pension contributions at the end of September, affecting the Sept. 30, 1982 figures.

Some of the larger movements in the cash holding figures resulted from takeover wars. U.S. Steel had \$803 million available, down from

\$2.3 billion in 1981, but had acquired Marathon Oil in the process.

LTV Corp. was licking the wounds from its aborted takeover of Grumman Corp., and showed only \$66 million, down from \$121 million the previous year.

Bendix Corp. carried the scars of the mauling it took in the four-way takeover fight that ended with its acquisition by Allied Corp. Its cash and short-term holdings dwindled to \$148 million from \$572 million.

Allied Corp. itself had \$78 million, down from \$84 million in 1981. On the other hand, United Technologies Corp. showed cash holdings of \$138 million at the end of the third quarter, up 64%.

There were a number of notable upside cash positions:

• **Anheuser-Busch** holdings were up to \$153 million from \$14 million in 1981, a climb of almost 1,000%, as the nation's largest brewer socked away money for the later acquisition of Campbell Taggart.

• **International Paper Co.** holdings were up nearly 900% at \$749 million, due to the receipt of the bulk of a \$984 million payment it received for the sale of its CIP subsidiary Jan. 1, 1982.

• **United Brands Co.** holdings were up at \$31 million, an increase of more than 400% largely due to an abnormal drop the previous year. The 1982 figure is more typical of United Brands' short-term position, according to a spokesman.

• **Chrysler Corp.** and **General Motors Corp.** holdings were also up 346% and 341% respectively, the result of improved earnings in the

industry, according to analysts. Chrysler also sold its tank division to General Dynamics.

There were also several notable drops:

• **Republic Steel** cash and short-term holdings dropped 97.9%, the result of a \$240 million loss in the year. The company recently gave stock in lieu of cash as part of its pension fund contribution.

• **Greyhound** had a drop after a decision by the corporation to abandon the practice of borrowing

to improve its liquidity picture at quarter-end, a spokesman said.

• **Lockheed Corp.** holdings dropped 82% due to an anomaly in the nature of the company's cash flow, according to a spokesman. The spokesman said the position in 1981 was unusually large, and in 1982 was unusually low because the company was awaiting a payment for an aircraft.

• **Bendix Corp.** holdings saw a decline of 74%—the result of the takeover brawl.

Cash Holdings of Fortune 100 Corporations

Company	9/30/82 Holdings (\$ million)	% change from 1981	Company	9/30/82 Holdings (\$ million)	% change from 1981
General Motors	2,866	+341.6	Anheuser-Busch	153	+992.9
Exxon Corp.	2,842	-11.2	W.R. Grace	149	+36.7
Texaco Inc.	2,276	-29.3	Bendix Corp.	148	-74.1
Standard Oil (Cal.)	2,276	+70.3	United Tech.	138	+61.3
General Electric	1,949	+29.7	Consolidated Foods	126	-27.6
IBM	1,823	+1.3	Bethlehem Steel	124	-65.1
Mobil Corp.	1,503	-33.7	Caterpillar	121	+34.4
Phillips Petro.	1,463	+5.3	Dow Chemical	117	-60.2
Ford Motor	1,402	-40.5	Union Pacific	117	+18.2
Litton Inds.*	1,382	+19.2	Sperry Corp.	109	+94.3
Standard Oil (Ohio)	1,306	+43.0	TRW Inc.	103	-31.8
Standard Oil (Ind.)	1,269	+31.9	Goodyear Tire	97	+6.6
Atlantic Richfield	1,208	+130.1	Borden Inc.	93	-27.3
Chrysler Corp.	1,108	+346.8	Alcoa	87	-12.1
Rockwell Intl.	853	-12.7	Constal Corp.	82	+24.2
U.S. Steel†	803	-65.2	Tenneco Inc.	81	+11.0
Gulf Oil	800	-43.5	National Steel	78	+178.6
Du Pont Co.	795	-37.6	Allied Corp.	78	-7.1
Raytheon Co.	776	+28.3	RCA Corp.	74	-58.4
Intl. Paper	749	+885.5	Ralston Purina	74	+85.0
Procter & Gamble	686	-4.9	Champion Intl.	69	-33.7
Xerox Corp.	685	+90.8	Continental Group	67	-35.0
Eastman Kodak†	622	-50.0	LTV Corp.	66	-45.5
Boeing	590	-52.6	Armco	66	+29.4
Reynolds Inds.	569	+284.3	Amerazda Hens	64	-39.6
Colgate-Palmolive	568	+67.6	Signal Cos.	62	-44.6
Getty Oil	522	+16.0	CPC Intl.	53	-22.1
Sun Company	477	+47.2	Philip Morris	47	-2.1
Westinghouse	462	-36.5	American Can	47	-39.0
Union Oil-Calif.	411	+79.5	Weyerhaeuser	45	-53.1
Dart & Kraft	410	+180.8	Georgia-Pacific	36	+38.5
Gulf & Western†	397	-16.1	Charter Co.	32	+6.7
Johnson & Johnson	395	-0.5	United Brands	31	+416.7
Monsanto	387	-17.7	IC Industries	26	-36.6
American Home Prod.	368	-39.7	Lockheed Corp.	24	-82.2
Firestone Tire†	316	-16.4	American Brands	14	-30.0
Coca-Cola Co.	287	+19.6	McDonnell Douglas	8	-65.2
Texas Instruments	286	+90.7	General Dynamics	3	-83.3
Ashland Oil	282	-29.0	Republic Steel	1	-97.9
General Foods†	271	-2.5	Greyhound	1	-95.2
Nabisco Brands	271	+27.2	Agway	na	na
Peppico	270	+15.4	Batus	na	na
Honeywell	262	+6.1	Beatrice Foods†	na	na
Shell Oil	253	+23.4	Deere & Co.†	na	na
Union Carbide	218	-12.8	Dresser Inds.†	na	na
ITT	201	+34.9	Farmland Inds.	na	na
Occidental Petro.	189	-29.7	General Mills†	na	na
Minnesota Mining	186	+17.7	Intl. Harvester†	na	na
Owens-Illinois	182	-51.5	Marathon Oil	na	na
Cities Service	165	+146.3	Western Electric	na	na

*Effects of Marathon Oil acquisition.

†As of 9/5/82

As of 11/30/82

As of 10/31/82

As of 10/2/82

New advisory firm twist: it's an all-cash specialist

NEW YORK—A money management firm has opened its doors here with a new idea—to specialize in the management of cash portfolios.

Liberty Capital Management, the brainchild of two former fixed-income managers at Grace Capital Management, Ricardo Cortez and William Chapman II, is possibly the first all-cash specialist in New

"It is only in the last few years that people have recognized the need for active cash management and that is the philosophical foundation of our business," said Mr. Cortez.

The company's tack is to run portfolios composed entirely of Treasury bonds, notes and bills, and to earn a rate of return above buy-and-hold money market rates.

for equities, you should also allocate funds for cash," Mr. Leader said.

"We are excited because we think that cash is the most under-managed pool of assets in this country. Everything is being managed except cash," he said.

The fee is 0.5% of the first \$10 million, and it drops from there to 0.3% for amounts of more than \$20 million.

Bad news, good news

NEW YORK—Bad news and good news for Merrill Lynch Money Markets Inc.

First the bad news: It has abandoned its packaged certificates of deposit program. It sold its last packaged jumbo CD in early February, a \$10 million deal bringing its total sales of packaged jumbos to more than \$1 billion since it started in December 1981.

Now the good news: It scored a major coup in the development of a new floating-rate note that Edson Mitchell, vice president, says is a good cash management surrogate.

Mr. Mitchell said the \$100 million floating rate issue it did for John Deere & Co. probably will be sold out by the time this article goes to press, but there will be more like it coming out of Wall Street in the future.

Cash notes

York. However, Scudder, Stevens & Clark in Los Angeles, and Capitoline Investment Services in Richmond, Va., also specialize in the management of short-term positions.

The founders, both former executive vice presidents at Grace Capital, also lured Jon Leader away from his job as director of client services at Tallasi Management to head up marketing. All three are managing directors.

By mid-February, 16 clients had signed up with Liberty, which then had more than \$50 million under management. The client base consists of thrift institutions, savings and loans, mutual savings banks, municipalities, multiemployer plans and some cash from two corporations in Philadelphia and another in the Midwest.

"The only way to do that is to extend maturities, and we can go out 10 years," said Mr. Cortez.

"When interest rates are declining and bond prices rising, we switch into notes. But at the first signs of weakness in the market, we sell the notes and switch back into Treasury bills," he said.

In 1982, this technique achieved a compound annual rate of return of 17.8% in 1982, compared with a Treasury bill rate of 12.6%, according to Mr. Cortez.

The firm plans to begin marketing to Employee Retirement Income Security Act-type accounts, but there is a problem. In an ERISA dictionary, cash is the money that has not been invested.

"We will be going to these people and saying you have an allocation for bonds, you have an allocation

Continued on page 16

Lending hits \$5 billion . . .

Continued from page 3

"From the borrowers (brokers) side, there is continued pressure to move rates downward, while the lenders feel they are low enough," said Frank Leccese, vice president in charge of Bankers' day-to-day lending operation.

"While we hear a lot about how the lendable base is expanding, our experience doesn't see that," he added.

Perhaps the most important change since the pension funds moved into lending is the increased sophistication of both the brokers and the lending institutions.

Indeed, talking about lending today involves the use of words such as credit analysis, accounting and controls, and capitalization of brokerage firms.

Now, it's not so much a matter of

selling lending to a pension fund having a certain dollar figure in assets, but it involves a careful balance of the risk and reward ratio for doing it, as well as an analysis of the securities content of a client's portfolio.

Credit analysis is very important, said Larry Lynch, vice president at Citibank, even though it involves simplistic precepts like not lending \$500 million to someone who is capitalized at \$40 million.

"The most sought-after securities for lending are the new issue government and corporate bonds, optionable stocks, and arbitrage stocks," he said.

In response to the diminishing spreads available for lending, the banks have responded with new techniques to earn more profit.

Specifically, at Citibank for example, concentration is focused on

the investment vehicle in which the collateral is invested, said Joseph Rizzo, vice president in charge of Citibank's day-to-day lending operation.

"To maximize the spread you should look at more esoteric investment vehicles, such as Nassau time deposits and Euro-CDs," Mr. Lynch said.

At State Street Bank & Trust, the securities lending unit keeps a limit on the amount of lending to any one broker—established credit limits, the amount of securities lent to a broker in any one day, plus it limits the amount of a particular stock it will lend out to a broker for the term of the loan, said Alexander Kondracki, vice president.

State Street has 15 brokers on its approved list, the second smallest list of the banks surveyed.

Chase, Daiwa investing . . .

Continued from page 2

lized capital gains. Chase will be the fully discretionary manager of the fund, and Daiwa International will be the distributor. According to Mr. Weber, this is the first time a Japanese institution has appointed an American institution as a fully discretionary manager.

According to Masanori Yoshida, president of Daiwa International, Daiwa and Chase first began considering offering the fund, which is based in the Cayman Islands, because of the rapid growth of assets in the Japanese institutions.

Mr. Yoshida said that with the slowing in the growth of Japanese industry, Japanese companies were borrowing less, leaving the institutions with large amounts of assets they needed to invest.

The institutions also needed to diversify their investments outside Japan, and were interested in in-

vesting in the most rapidly growing sectors of U.S. industry.

However, Japanese security analysts were unfamiliar with the majority of the U.S. emerging growth companies, Mr. Yoshida said. Therefore, Daiwa decided an affiliation with Chase, which has a special situations fund with an excellent long-term record, offered advantages.

Mr. Yoshida said the Japanese Ministry of Finance was approached by Daiwa informally about its attitude to the proposed affiliation, and the ministry encouraged the move, suggesting investment in U.S. securities by Japanese institutions might help ease trade friction.

Until now, Mr. Yoshida said, Japanese investment in U.S. securities had been mainly in bonds and companies with large capitalizations.

Mr. Yoshida said Japanese insti-

tutions realized they needed to diversify their investments because there is a reordering of industries among countries. Even Japan has some declining industries, he said.

The Japanese institutions regard the United States as a still young and vigorous economy, Mr. Yoshida said, and still the strongest economy in the world.

Stephen E. Cantor, president of Chase Investors Management, said the new fund was likely to lead to other joint ventures between Chase and Daiwa, both in the United States and in Japan.

A&P . . .

Continued from page 2

include "surplus assets." "The court believes it is likely that it would ultimately conclude that, prior to termination of the plan, the word 'liabilities' in Section 10.1 include only those amounts necessary to satisfy liabilities under Section 4, the 'Benefits' section, and does not embrace the amount which would remain as surplus in the event of termination," Judge Lacey said.

"Accordingly, under its amendatory power, A&P had the power to alter the plan so as to provide unequivocally that, in the event of termination, excess assets remaining after payment of benefits would go to the company," he concluded.

In a similar dispute heard by Judge Barrington Parker in U.S. District Court in Washington, D.C., in January, the court ruled Time Inc. was entitled to \$4 million in surplus assets from a terminated pension plan of the now-defunct Washington Star (*Pensions & Investment Age*, Jan. 24).

In both cases, Judges Parker and Lacey said it was legal to amend the plan document to effect "surplus capture" immediately prior to termination.

March 10 hearing scheduled by DOL

WASHINGTON—The Department of Labor will hold a hearing here March 10 regarding its proposed class exemption for qualified professional asset managers.

That proposal would exempt qualified managers from many prohibited transaction problems under the Employee Retirement Income Security Act (ERISA, Jan. 10). The hearing will be at 10 a.m. in Room 3437 A-D of the Labor Department, 200 Constitution Ave., N.W., Washington, D.C. For information, contact Paul Antsen at (202) 523-6915 after March 8.

Securities-lending isn't for all sponsors: study

NEW YORK—Securities lending is not for every pension fund and a plan sponsor working without the aid of an internal investment staff probably is better off not getting involved, reports a recently published Ennis, Knupp & Gold study.

Titled "To Lend Or Not To Lend: A Re-Examination of Securities Lending," the study was conducted after the Chase Manhattan Bank/Drysdale Government Securities episode and analyzes securities lending from the plan sponsor's perspective.

Although bank executives who have read the report agree with some of the statements, they dispute others, including the annual rate of return a pension fund can expect.

Ennis, Knupp notes that at one time, a plan sponsor could earn between 300 to 400 basis points on a lending portfolio (gross spread, before bank's fee). It says that now, however, funds can expect to earn only 60 to 80 basis points from lending.

However one bank official claimed the returns to funds were a little higher. The master trustee administering the lending program generally takes 40% of the earnings from lending, but a bank is typically returning 90 to 100 basis points (after its fee) to the plan sponsor, the official said.

"We currently tell our clients that they can expect to earn

spreads of 150 to 175 basis points before fee, or 90 to 100 basis points net" said Allan Martin, vice president-Bankers Trust.

But several of the study's points were well-taken, sources said. The study says that pension funds should not start a lending portfolio unless the risk/reward is carefully evaluated.

In addition, the study stressed that a lender should "know thy broker," a statement hardly anyone disagreed with.

The study states, however, that it is difficult to accurately assess the financial condition of brokerage firms, many of which are held privately, because the firms' financial status can change so rapidly.

"It would seem that the only people who really understand the financial condition of securities firms are the handful of people who control them, and even they are occasionally surprised by the course of events," the study says.

However, some banking sources countered this, saying it's naive to conclude the only people who know about the financial nature of a brokerage firm are the people running it. Master trustees lend securities firms a lot of money and they know what's going on, said a bank source. "Nobody knows a company better than their bankers," he added.

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Venture cap investing plan stirs protest

By Ivy Schmerken

MINNEAPOLIS, MINN.—A number of plan participants are objecting to a plan by Control Data Corp. to invest up to 1% of its \$150 million pension assets in the Minnesota Seed Capital Fund.

The Department of Labor has received 29 letters of comment on the planned investment, some of which protested the plan primarily because of the risk. The DOL currently is considering a request by the company for an exemption that would allow it to make the investment.

The exemption was sought because Control Data owns 25% of the shares of the venture capital fund and the company's

chairman, William C. Norris, a fiduciary of the pension plan, owns 2.5%.

The Minnesota Seed Capital Fund was set up for the purpose of investing in new, technologically innovative small businesses with the potential of creating jobs in the state of Minnesota (*Pensions & Investment Age*, June 21, 1982).



The fund provides early-stage financing and some second-stage financing to project-businesses started successfully.

The DOL is considering whether to hold a public hearing before deciding on granting the exemption. If it decides to

hold a public hearing, a notice would be published in the Federal Register within the next few weeks.

Many of the letters of comment requested a public hearing. The comments raised by employees have caused difficult internal deliberations in the Labor Department, a spokesman said. Many employees objected to the risk of investing in venture capital and feared it could set a precedent of corporate attempts to make future speculative investments.

"Small business start-ups have a failure rate in excess of 80% and are not suitable for the conservative investment of retirement funds," wrote one Minneapolis-based employee.

The \$500,000 to \$1.5 million the company wishes to invest

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Pensions & Investment Age

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The newspaper of corporate and institutional investing • \$2.50 an issue • \$52 a year • March 7, 1983

Beta used in assessing corporate allocation

By Pavan Sahgal

NEW YORK—General Foods Corp. is applying investment management theory from the capital assets pricing model to assess risks and rewards in its various businesses.

Corporate finance

The company has been able to use the concept of beta to help it develop a more accurate cost of capital for each of its subsidiaries, and to determine which projects are the most promising.

The capital assets pricing model describes the way risk and expected return are related in the market, and provides a clear expression of the expected returns for all income-producing assets.

Beta is a measure of market risk that shows the estimated change in



General Foods' Walsh: Assuring policies are geared to higher stock prices

a stock or equity portfolio's expected rate of return when there is a 1% change in a market index, such as the Standard & Poor's 500. It is a fundamental component of Modern Portfolio Theory.

"I would say that we are well in

Continued on page 72

Purchase foiled takeover

Grumman trustees plan sale of company stock

By Mark Westerbeck

BETHPAGE, N.Y.—Trustees of the \$950 million Grumman Corp. pension fund are planning to sell their 1.2 million shares of Grumman common stock bought to forestall the fall 1981 takeover attempt by the LTV Corp.

The original purchase of the stock sparked lawsuits by the Department of Labor, the Securities and Exchange Commission and a Grumman employee charging imprudence and improper conduct, and an injunction was placed on the trustees preventing their selling the shares.

The injunction was removed at the plan's request by U.S. District

Judge Jacob Mishler, and officials are now awaiting acceptance from the SEC of their plan to sell the shares.

Grumman shares have been fluctuating recently. Based on the March 1 close of 49¢ a share, the fund stood to gain \$15.25 million on its original investment of \$44.3 million; the shares were originally purchased for about \$38 a share. When Grumman filed with the SEC on Feb. 18, Grumman stock closed at \$51.625.

Costs and small discounts given to some members of the syndicate Dillon, Read & Co. Inc. had in place to buy the stock could affect the profit, and slips in the price could delay the sale. But the trustees put

the legal workings in motion because they expected a sizable return on their 16-month investment, Grumman officials said.

The lawsuits filed against the company claimed that after the trustees, all of whom are corporate officers, had ignored LTV's offer of \$45 per share for 525,000 shares already in the plan, they bought another \$44.3 million worth near the stock's then-peak price of about \$38 per share. The suits claimed the trustees sat by as the stock lost nearly \$12 million in value in six days after the stock purchase killed LTV's acquisition bid. The stock holding reportedly went down at least another \$5 million before it

Continued on page 74

Late news

Equities will be upped

SAN FRANCISCO—Investment managers expect to increase their equity commitments to 65% of assets by the end of 1983 from less than 60% at the beginning of the year. A Callan Associates survey of 113 investment management firms with assets of more than \$290 billion found managers handling \$300 million or more expect to increase their equity commitments to 64% by June and 65% by December. This compares with 57.5% in December 1982. Smaller managers expect to increase to 60% by June and again to 65% in December, from 50% in December 1982. The increases will come from fixed-income portfolios and cash positions.

Large managers will reduce their fixed-income holdings from 35% in

December 1982 to 30% in June and 25% by December 1983. Small managers will reduce their fixed holdings from 40% in December 1982 to 35% in June and 30% in December.

CDA industry list out

SILVER SPRING, MD.—Office and business equipment stocks, hospital management stocks, electronics and semiconductor companies, and air transportation companies topped the list of industries most actively purchased by institutions in the fourth quarter of 1982, according to Computer Directions Advisers Inc. On the other hand, the institutions dumped \$494 million of electric utilities, \$461 million of hospital supply companies, \$363 million of crude oil producers,

Continued on page 2

Maine files objections to AT&T proposed plan split

Bell is charged with taking too big a chunk of the assets

By Joel Chernoff

WASHINGTON—American Telephone & Telegraph Co. plans to keep too large a share of its \$40 billion in pension assets in the upcoming divestiture, a state and its utility commission charged.

In objections filed Feb. 14 to AT&T's reorganization proposal, the state of Maine and the Maine Public Utilities Commission argue that the company has chosen the wrong method of allocating assets, and that the proposed division "will deprive the BOCs (Bell Operating Cos.) of their rightful share of those assets and will result in higher future pension costs to be borne by local ratepayers."

Maine wants the allocation to be based on the regional operating companies' contribution to the fund. That would include contribu-

tions made to the central fund since 1980, and assets merged into the fund in October 1980. AT&T consolidated the assets of most of its subsidiaries at that time. The state says the amount of assets in dispute is 5% or more of total pension assets, or at least \$2 billion.

However, AT&T attorney Scott Macey countered the charges on a number of counts. He pointed out that the allocation was based on present and future benefit liabilities each company will incur; the method would allow each firm to start out on an equal footing. And he said AT&T can't determine allocation by acting on behalf of local ratepayers, but must allocate based on the exclusive benefit of participants and beneficiaries.

Both sides agree, however, that the Supreme Court's Feb. 28 ruling, which upheld the divestiture

agreement and ignored the arguments of 13 states that the settlement pre-empts state regulatory authority, has no effect on this pension asset issue.

Maine's filing at U.S. District Court here is the second major objection to AT&T's plan for its pension assets. The Communications Workers of America union also has objected to the plans for breaking up of the nation's largest pension plan, saying the matter should be subject to collective bargaining (*Pensions & Investment Age*, Feb. 21).

The breakup of the two pension plans into 16, and consequent allocation of assets, is part of the divestiture scheme AT&T agreed to in settling a Justice Department suit charging monopolization.

AT&T plans to allocate assets for

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Special section
March 17

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Late news

Continued from page 1

\$264 million of entertainment companies and \$253 million of integrated oil companies.

Consulting firm sold

WESTPORT, CONN.—The principals of Evaluation Associates—William Crerend, Steve Gross, Ellen Petrino and Robert Watson—have sold the firm to Torchmark, an insurance and financial services company based in Birmingham, Ala., and Boston.

Fund restructures

PARSIPPANY, N.J.—Nabisco Brands restructured its \$400 million pension fund; the fund will have a \$150 million equity core split evenly among Forstmann-Leff Associates, New York; Battery March Financial Management, Boston; and Bankers Trust Co., New York, according to sources. Bankers will manage a Standard & Poor's 500 index fund with options overwriting capability. Five satellite managers split \$70 million: Hellman, Jordan Management Co., Boston; McKenzie, Walker Investment Management, Larkspur, Calif.; Avatar Associates, New York; Kingsley, Jennison, McNulty & Morse, San Francisco; and Leiber, Harris, New York. Three fixed-income managers split \$150 million: Robert C. Brown & Co., San Francisco; Hoisington Investment Management, Houston; and Fischer, Francis, Trees & Watts, New York.

Mortgage investment

LANSING, MICH.—The mortgage service division in Michigan, representing the state's \$7 billion public funds, invested \$30 million in a 156-unit apartment building in New York.

The mortgage is insured through the Federal Housing Administration, and offers an interest rate of 12¼% plus participation in co-op conversion profits.

SEC approval given

PITTSBURGH—Allegheny International Inc. received approval from the Securities and Exchange Commission Feb. 16 to sell 200,000 shares of common stock that were contributed to its pension fund instead of cash on Sept. 15, according to Richard Skaare, director of corporate communications. Allegheny stock is trading about \$10 per share above its 18½ closing price on Sept. 15. Salomon Bros. will manage the public offering.

People changes...

• LOS ANGELES—Larry Tint, manager of fundamental research at Wilshire Associates, has joined Trust Co. of the West as of March 1.

• MIDDLETOWN, OHIO—J. Robert Whitehurst, executive vice president and co-founder of Armco Investment Management Inc., here, has left to accept a position as president of Kensington Associates, and its affiliate, Venture Capital Investment Management Co.

• NEW YORK—Barry V. Smith, deputy chief of staff, has been named executive vice president in charge of pension operations at Equitable Life Assurance Society, succeeding J. Gary Burkhead who moved to Fidelity Trust Co.

• NEW YORK—Thomas Verage, vice president and portfolio manager for Citibank's Investment Management Group, will join Schroder Capital Management, New York, as executive vice president and senior portfolio manager.

Money movers...

• MIDDLETOWN, OHIO—Armco Inc.'s \$1.1 billion pension fund has deployed \$100 million with two New York equity managers, Alliance Capital Management Corp. and Chase Investors Management Corp.

• NEW YORK—Celanese Corp.'s \$600 million pension fund raised its equity exposure to 70% by moving \$28 million to BMI Capital, N.Y., and \$25 million to Trustee & Investors Co. Inc., Boston.

• SANTA CLARA, CALIF.—The Orange County Employees' Retirement System has hired First Interstate Portfolio Lending Division, Los Angeles, as its securities lending agent. The \$405 million fund also gave \$21 million to its two existing bond managers: Pacific Investment Management Co., Newport Beach, Calif.; and Kennedy Associates, Seattle. And it has given \$28 million to its single equity manager, Smoot Knoche & Co., Salt Lake City.



Photo: Mary Cairns

Harold Washington: "Preservation of high return must remain a priority"

Washington supports targeting of city funds

By Linda Savage Ruhe

CHICAGO—Democratic mayoral candidate Harold Washington would like to see the five city pension funds targeted more toward local investments.

However he stressed this should be done only if a high rate of return can be preserved. Mr. Washington will likely be Chicago's next mayor; Democrats have held the office since 1931.

"Eighty percent to 90% of the

local fund's assets are invested presently in the securities of companies and government agencies outside of Chicago," Mr. Washington said in a recent fiscal policy position paper.

"These funds can be redirected to Chicago area company and government agencies, and in some institutions targeted more directly to supplying financially feasible economic development and housing initiatives as the state of Illinois is

Continued on page 69

Mel Petersen quits California Teachers'

By Steve Hemmerick

SACRAMENTO—Mel Petersen has resigned as chief investment officer of the \$10 billion California State Teachers' Retirement System—a position he took only months ago.

Until January he managed both the employees' and teachers' fund, but the two funds were in the process of being split.

Mr. Petersen is joining Seattle-

First National Bank to become vice president and manager of the fixed-income group.

He apparently resigned after it appeared efforts would fail to double salaries for top state investment officers. California is facing an almost \$2 billion deficit.

His March 1 decision to resign was met with glee at Seattle-First, which last year lost its long-time fixed-income manager, John Hamilton, and two other employees to

an area investment counseling firm, Olympic Capital.

Mr. Hamilton's leaving—he had been fixed-income manager at the bank since 1949—left the bank with an outstanding record, but no fixed-income manager. According to the Pensions & Investments' Performance Evaluation Report, Seattle-First's fixed-income compound annual return for 10 years ending 1982 was 9.8%, and for five years ending 1982 it scored 12.3%.

For both periods, Seattle-First was in the top decile of P.I.P.E.R.'s fixed-income universe.

Bank officials were worried about the loss of Mr. Hamilton, and promised clients they would find someone to continue the performance of the bank's "system."

"He (Mr. Petersen) has the perfect background, just what we were looking for," said Chandler Everett, senior trust officer at Seattle-First.

In Sacramento, however, a difficult situation has become worse. Up until January, Mr. Petersen had been managing both the state teachers' fund and the California Employees' Retirement System fund, with a total value of about \$28 billion.

The Legislature decided to split up investment management of the two funds, a "roundabout" effort to increase the staff and salaries of

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Vol. 11, No. 5—Pensions & Investment Age (ISSN 0273-5466) is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 740 Rush St., Chicago, Ill. 60611. Copyright 1983.

Minority-owned broker

N.Y. funds charged with discrimination

NEW YORK—New York City Comptroller Harrison J. Goldin has been accused of racial bias because stock trades made for the city's pension system are not, according to the chairman of a brokerage firm, directed to minority-owned firms.

The charges were made by Travers J. Bell Jr., chairman of Daniels & Bell Inc., a minority-owned brokerage house; it currently is the New York Stock Exchange's only minority-owned member firm. He accused the city of "retarding" the minority brokerage community.

Mr. Goldin denied the charge, defending his office on a record of targeted investments and business transacted directly with minority-owned financial firms while maintaining his refusal to direct the operations of companies under contract to the city.

"We believe that for the city to direct brokerage will open the door to improper influences in connection with this enormously lucrative activity," Mr. Goldin said in a statement in response to an article in a

New York publication.

In an interview with *Pensions & Investment Age* he said, "While we have advised our independent equity managers in no uncertain terms that they are to do business on a non-discriminatory basis, at the same time, somebody seeking to do business with them has got to be able to offer a specific product which the pension systems need, has got to be competitive, and I and the city specifically won't direct commission business."

Mr. Goldin said Mr. Bell's brokerage has not been deemed capable by the city's financial advisers. "In order to be able to qualify, he would have... to offer a product that those who manage money for us need, and offer a service that would warrant the expenditure of commission dollars," Mr. Goldin said.

"In broad terms, they obviously haven't," said Jack R. Meyer, who until recently was deputy comptroller for the city and now is treasurer and chief investment officer for the Rockefeller Foundation.

Continued on page 73

Top performers for equity, fixed-income

Top equity adviser hits 61%; median fund returns 22.2%

By Lynn Griffo

NEW YORK—Last August's big market push proved rosy for bank and insurance company equity funds.

More than half of the bank and insurance company equity funds tracked by *Pensions & Investment Age's* P.I.P.E.R. index had a banner year in 1982 with a 22.2% median rate of return on investments, according to the data; the median figure outdid the Standard & Poor's 500 stock index of 21.7%.

During the year, fully 54% of the managers beat the S&P 500.

Security Pacific National Bank, with a 61.3% return in 1982, earned the No. 1 spot of all funds tracked by P.I.P.E.R.

Second and third place go to United Capital Management, the investment counseling group of United Banks of Denver, and First National Bank of Birmingham in Alabama, with returns of 49% and 47.4% respectively.

As for consistency, several banks and insurance companies did well for both the one- and 10-year periods.

However, in terms of excellence, very few institutions scored in the top decile consistently for the one-, three-, five- and 10-year periods.

Unquestionably, the regional banks and insurance companies took home all the trophies in this category.

First National of Birmingham has been in the top decile not only last year but for the longer periods as well. Its annualized returns on equity investments have been 24.8% for the three years ending Dec. 31, 1982, 18.8% for five years and 12.4% for the past 10 years.

Home Life Insurance Co., New York; United Capital Management; and Meridian Management Co., a subsidiary of First Variable Life Insurance Co., Arkansas, also have chalked up good numbers.

As for the larger industry-known names, only two institutions deserve recognition for consistent performance. And, while these two did not hit the top five spots during any one period, both are top decile performers—Bessemer Trust Co. and Equitable Life Assurance, with its Separate Account No. 4.

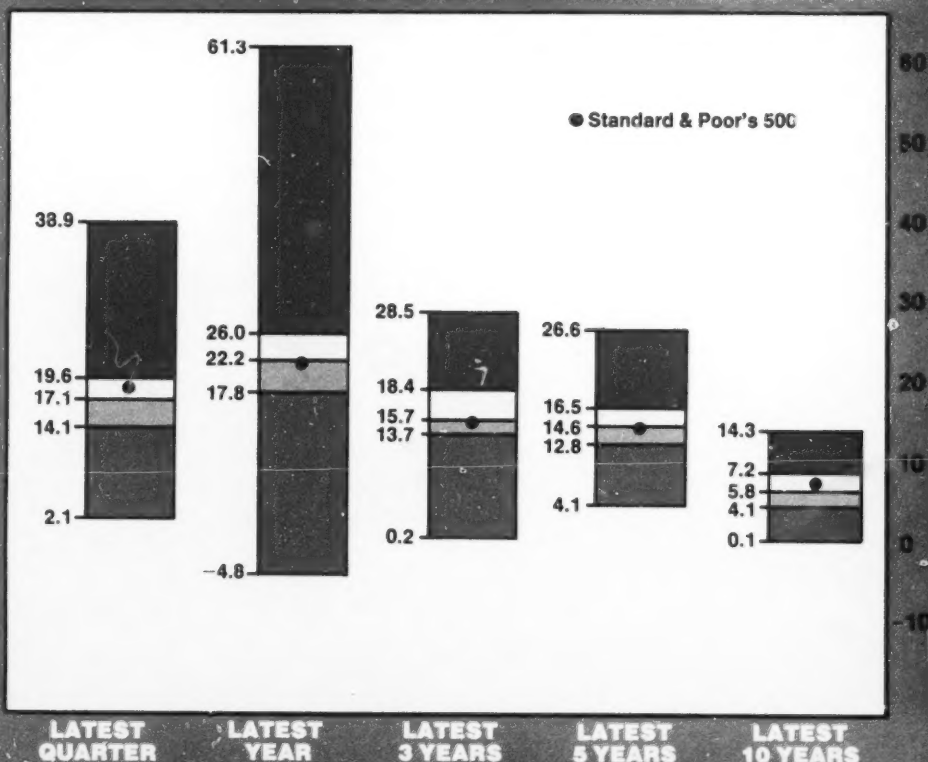
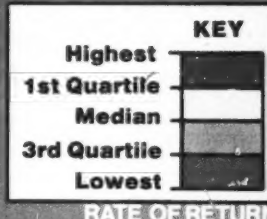
Highest scores for the three-year period ending Dec. 31, 1982, go to First National Bank and Trust of Oklahoma City with a 28.5% return; First Interstate Investment Advisors, Las Vegas, 27.5%; and Intrawest (formerly

Continued on page 32

Pooled Equity Accounts of Banks and Insurance Companies

All periods end Dec. 31, 1982, and all figures, except latest quarter, are annualized total returns.

P.I.P.E.R. report compiled by Rogers, Casey & Barksdale Inc.



The statistical data on performance is extracted from *Pensions and Investments' Performance Evaluation Report (P.I.P.E.R.)*, a quarterly performance evaluation service published separately by *Pensions & Investment Age*. The service details comparative performance data on more than 200 equity funds and a like number of fixed-income funds for banks and insurance companies. The reports are compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.

Information from the reports is extracted and published in the regular issues of *P&I Age*. The special section contains:

Equity returns: all funds.....	pg. 28
Fixed-income results: all funds.....	pg. 26
Top quartile equity returns	pg. 24
Top quartile fixed-income returns	pg. 29
Equity performance by size	pg. 31
Fixed-income performance by size	pg. 33

For P.I.P.E.R. report subscription information, write: P.I.P.E.R., c/o *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611. All data is copyright 1982 by Crain Communications Inc.

Median fixed-income fund fell below indexes for 1982

By Linda Savage Ruhe

CHICAGO—Returns on fixed-income pooled funds dropped slightly during the last quarter of 1982, allowing equity funds to beat them out.

For the entire year, however, the median fixed-income fund still continued to have the edge over its counterpart in the equity area.

These figures reflect the recent tapering off of the bull bond market and the subsequent rally in the stock market.

For the past quarter, the median bank and insurance company pooled fixed-income fund showed a return of 8.2% and for the year, 29.4%, according to the *Pensions & Investments' Performance Evaluation Report*, which is compiled by Rogers, Casey & Barksdale.

At 8.2%, the median fixed-income fund was just below its comparative index, the Lehman Bros. Kuhn Loeb Government/Corporate index at 8.3%.

In comparison, the median equity return for the latest quarter was a whopping 17.1% and for the 12 months was 22.2%.

Top performers in the fixed-income area for the quarter and one-year returns claimed to have achieved their results through a strategy of moving from cash into bonds at the right time, and including in their purchases a significant position in zero-coupon and deep-discount bonds.

The best return for the quarter was 21.1% at American National Bank of Austin in Texas.

According to Randy Bateman, senior vice president at American National, the fixed-income portfolio was 100% in cash two years ago. About 1½ years ago, the strategy was to move to a fully invested position.

The bonds purchased included a combination of four-year government securities and the first zero-coupon issue available at that time, which was PepsiCo's private placement issue of zero-coupon bonds.

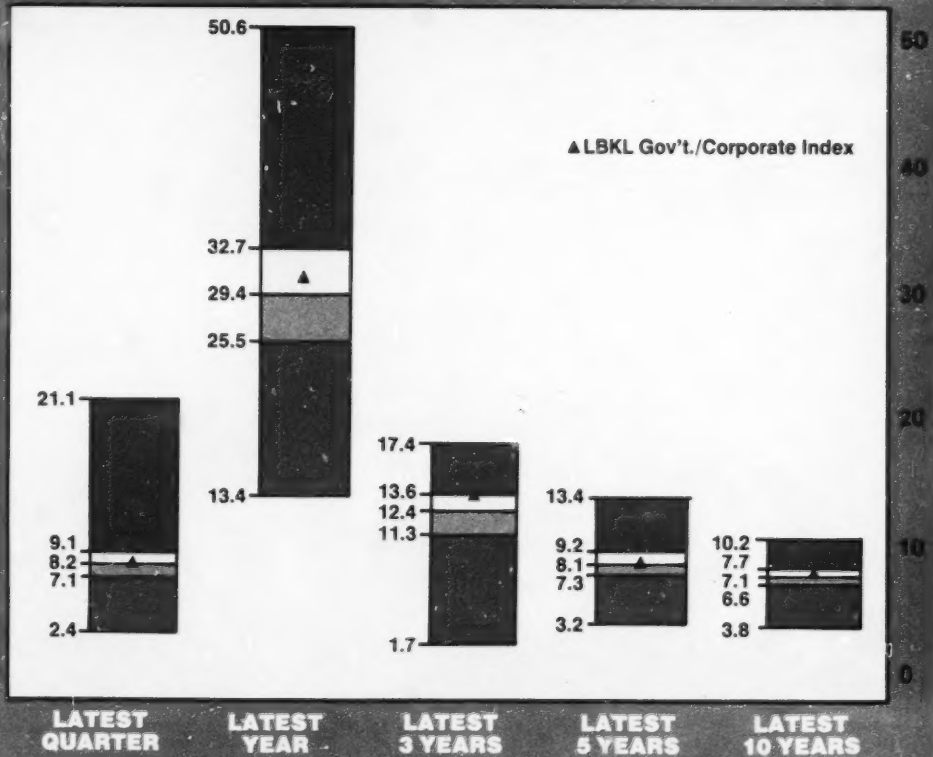
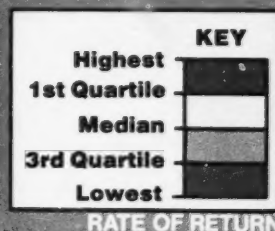
The portfolio had 60% of its assets in the PepsiCo issue, and then gradu-

Continued on page 33

Pooled Fixed-Income Accounts of Banks and Insurance Companies

All periods end Dec. 31, 1982, and all figures, except latest quarter, are annualized total returns.

P.I.P.E.R. report compiled by Rogers, Casey & Barksdale Inc.



Top quartile commingled equity funds 3-month returns

	%
First Variable Life, Ark.	38.9
Security Pacific, Calif.	37.7
Exchange Natl., Chicago	30.8
United of Denver	29.8
First Bank Milwaukee	29.3
First of Birmingham, Ala.	28.4
Merchants Natl., Ala.	27.2
Puget Sound Natl., Wash.	26.4
Equitable Life (No. 4)	26.2
Equitable Trust, Md.	26.1
Union Commerce, Ohio	26.0
First of Chicago	25.8
Intrawest, Colo.	25.6
Connecticut General	25.2
Penn Mutual Life, Pa.	25.0
Pacific Mutual, Calif.	24.4
Marine Trust, Wis.	24.2
Philadelphia Life, Pa.	23.9
Interfirst Inv. Mgmt., Texas	23.7
Connecticut Bank & Trust	23.6
Long Island Trust, N.Y.	23.5
First Natl. of Tulsa, Okla.	23.4

Gary-Wheaton Bank, Ill.	23.3
Mutual Benefit, N.J.	23.3
First Interstate Denver	23.3
State Street Bank, Mass.	23.0
First Wisconsin Trust	23.0
First Interstate of Calif.	22.9
New England Mutual, Mass.	22.8
Mercantile at Dallas	22.7
HT Investors Inc., R.I.	22.7
Boatmen's National, Md.	22.4
North Carolina Natl. Bank	22.4
Citibank, N.Y.	22.3
Merchants Natl., Ind.	22.2
Philadelphia Natl., Pa.	22.2
City Trust, N.J.	22.1
Merchants Natl., Pa.	22.1
Chase Manhattan, N.Y.	22.1
Bank of Delaware	21.8
Home Life, N.Y.	21.8
First Trust Corp., Colo.	21.8
Oregon Bank	21.8
First Union Bank, N.C.	21.5
Wilmington Trust, Del.	21.5
Bank of Southwest, Texas	21.4
First Wis. Natl., Madison	21.4
Citytrust, Conn.	21.4
US Natl. of Oregon	21.3
Employers Life of Wausau, Wis.	21.2

Bankers Trust, N.Y.	21.1
Northern Trust, Ill.	21.1
Bankers Life, Iowa	21.1
Northwestern Natl., Minn.	20.9
General American, Mo.	20.7
First of Oklahoma	20.4
Lake Shore Natl., Ill.	20.3
Valley Natl., Ariz.	20.1
Trust Co. of Florida	20.0
Omaha Natl. Bank, Neb.	19.9
Shawmut of Boston	19.9
First Tennessee, Chat.	19.8
Indiana National Bank	19.8
First of Allentown, Pa.	19.6
Mercantile Natl., Ind.	19.6
Pioneer Bank, Ill.	19.6
Security Tr., Rochester, N.Y.	19.6
First Interstate of Ariz.	19.6
Standard & Poor's 500	18.3

One-year returns

	%
Security Pacific, Calif.	61.3
United of Denver	49.0
First of Birmingham, Ala.	47.4
First Variable Life, Ark.	46.8
Union Commerce, Ohio	46.6
First of Oklahoma	45.5

First Bank Milwaukee	43.6
New England Mutual, Mass.	43.2
Home Life, N.Y.	37.9
Gary-Wheaton Bank, Ill.	36.2
First Tennessee, Chat.	36.1
Mercantile at Dallas	35.6
City Trust, N.J.	35.3
Bank One Trust, Ohio	34.8
Marine Midland, N.Y.	34.8
Mutual Benefit, N.J.	34.5
Mercantile Natl., Ind.	34.2
Ohio Citizens Trust	34.0
Employers Life of Wausau, Wis.	33.6
Commonwealth Natl., Pa.	33.3
Resource Trust Co., Minn.	32.3
Connecticut Bank & Trust	32.0
Interfirst Bank Austin, Texas	32.0
Lake Shore Natl., Ill.	31.8
Southeast Bank Natl., Fla.	31.2
United Virginia Bank	31.1
US Natl. of Oregon	30.6
Allied Bank, Texas	30.6
Colorado Natl. Bank	30.5
Union Planters, Tenn.	30.1
Bank of Delaware	30.0
Dauphin Deposit, Pa.	30.0
Interfirst Inv. Mgmt., Texas	30.0
Minnesota Mutual	29.8

First Union Bank, N.C.	29.7
Equitable Trust, Md.	29.5
Union Natl., Wichita, Kan.	29.3
First Kentucky Trust	29.2
Sun Bank, Fla.	29.1
Merchants Natl., Ind.	29.1
American Fletcher, Ind.	29.1
Northern Trust, Ill.	29.0
Central Bank, Denver	28.9
Omaha Natl. Bank, Neb.	28.9
Bessemer Trust, N.Y.	28.8
Long Island Trust, N.Y.	28.4
Chase Manhattan, N.Y.	28.3
Intrawest, Colo.	28.1
Valley Natl., Ariz.	28.1
HT Investors Inc., R.I.	28.1
First Wisconsin Trust	28.0
Manufacturers Detroit	28.0
Fifth Third Bank, Ohio	27.7
Central Natl., Cleveland	27.4
Bank of California	27.3
Boston Safe Deposit	27.2
Boatmen's Natl., Mo.	26.8
Equitable Life (No. 4)	26.8
American Bank, Tenn.	26.6
Exchange Natl., Chicago	26.5
Texas Commerce	26.4
Massachusetts Mutual	26.4
Citibank, N.Y.	26.3
First Interstate, Denver	26.0
Landmark Union Trust, Fla.	26.0
Standard & Poor's 500	21.7

Three-year returns

	%
First of Oklahoma	28.5
First Interstate of Nevada	27.5
Intrawest, Colo.	26.5
Employers Life of Wausau, Wis.	26.4
United of Denver	25.8
First of Birmingham, Ala.	24.8
Citizens Chilliocthe, Mo.	24.7
Mercantile at Dallas	23.7
Home Life, N.Y.	23.4
Philadelphia Natl., Pa.	23.2
Interfirst Bank, Austin, Texas	23.2
Marine Trust, Wis.	23.2
Equitable Life (No. 4)	22.6
First Variable Life, Ark.	22.4
Girard Bank, Pa.	22.0
Wheeling Dollar Bank, W.Va.	21.9
Union Commerce, Ohio	21.9
First Union Bank, N.C.	21.8
Philadelphia Life, Pa.	21.8
Bank One Trust, Ohio	21.6
First Bank Milwaukee	21.5
US Natl. of Oregon	21.5
New England Mutual, Mass.	21.4
First Tennessee, Chat.	21.4
First Natl. of Commerce, La.	21.3
Manufacturers Detroit	21.2
Omaha Natl. Bank, Neb.	21.2
Puget Sound Natl., Wash.	21.1
Sun Bank, Fla.	20.8
Massachusetts Mutual	20.6
State Street Bank, Mass.	20.6
Provident Natl., Pa.	20.2
Ohio Citizens Trust	20.2
First Trust Corp., Colo.	20.2
Lake Shore Natl., Ill.	20.0
First Wisc. Natl., Madison	19.9
Genesee Merchants, Mich.	19.8
Bank of Delaware	19.7
Dauphin Deposit, Pa.	19.7
Bessemer Trust, N.Y.	19.4
Fifth Third Bank, Ohio	19.3
First City Natl., Houston	19.3
Gary-Wheaton Bank, Ill.	19.3
Citytrust, Conn.	19.3
Commonwealth Natl., Pa.	19.2
Mutual Benefit, N.J.	19.2
Union Planters, Tenn.	19.2
US Natl. of Galveston, Texas	19.1
Phoenix Mutual, Conn.	19.0
First Wisconsin Trust	19.0
Chase Manhattan, N.Y.	19.0
United Virginia Bank	19.0
Rainier Natl., Wash.	18.9
Long Island Trust, N.Y.	18.8
First Interstate of Wash.	18.7
Boatmen's Natl., Mo.	18.7
Security Trust Rochester	18.7
HT Investors Inc., R.I.	18.6
Nationwide Life Ins., Ohio	18.6
Landmark Union Trust, Fla.	18.6
Fourth Natl., Tulsa, Okla.	18.5
Interfirst Inv. Mgmt., Texas	18.4
Standard & Poor's 500	15.3

Five-year returns

	%
Citizens Chilliocthe, Mo.	26.6
Philadelphia Life, Pa.	26.4
Intrawest, Colo.	25.6
Employers Life of Wausau, Wis.	24.6
First Interstate of Nevada	24.3
Home Life, N.Y.	22.9
Bessemer Trust, N.Y.	22.7
Equitable Life (No. 4)	22.2

Continued on page 29

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Fixed-income performance

Cumulative periods
ending 12/31/82

	1 year	5 years	10 years		1 year	5 years	10 years		1 year	5 years	10 years
		%				%				%	
Allied Bank, Tex.	38.6	11.2	8.8	First Natl. of Commerce	27.2	9.6	7.8	Mich. Natl. of Grand Rapids	24.4	7.1	7.3
American Bank, Pa.	33.3	7.9	(1)	First Natl. of Tulsa	26.3	8.2	7.0	Midlantic National, N.J.	31.5	7.5	7.0
American Bank, Tenn.	28.6	9.7	7.9	First Natl. State, N.J.	31.7	8.1	7.2	Minnesota Mutual	30.5	8.4	(1)
American Fletcher, Ind.	27.2	7.3	7.8	First of Akron, Ohio	25.3	8.8	(1)	Moline National, Ill.	26.7	8.2	7.3
American Fletcher (Int. Mat.)	22.3	7.8	7.7	First of Allentown, Pa.	33.5	(1)	(1)	Morgan Guaranty (Comp.), N.Y.	27.7	8.6	8.0
American National, Minn.	37.6	9.8	(1)	First of Bartlesville, Okla.	22.9	9.2	8.0	Mutual of N.Y.	32.1	7.1	(1)
American Natl., Austin, Tex.	30.3	11.4	(1)	First of Birmingham, Ala.	41.4	5.8	6.0	Natl. Bank of Detroit	32.8	8.6	7.3
Ameritrust, Ohio	27.6	7.4	6.7	First of Boston (Int. Mat.)	29.4	6.8	6.3	Natl. City, Cleveland	30.5	7.7	6.9
BancTexas, Dallas	23.3	9.3	7.5	First of Chicago	36.2	8.2	7.2	Natl. of Commerce, Neb.	35.6	7.2	(1)
Bank of Calif.	37.0	8.6	7.5	First of Cincinnati, Ohio	32.7	7.5	7.0	National of Georgia	27.5	7.7	(1)
Bank of New England, Mass.	28.3	10.4	7.0	First of Elgin, Ill.	20.5	9.7	(1)	Natl. of North America, N.Y.	29.8	7.3	6.6
Bank of New York	36.3	8.6	(1)	First of Fort Worth, Tex.	16.8	7.4	(1)	New England Mutual, Mass.	32.9	6.4	5.6
Bank of Oklahoma	32.6	6.4	5.9	First of Grand Island, Neb.	23.9	(1)	(1)	New Jersey National	21.6	4.7	5.7
Bank of Southwest, Texas	30.9	6.5	6.8	First of Kansas City, Mo.	25.8	(1)	(1)	North Carolina Natl. Bank	22.0	9.2	7.7
Bank One of Akron, Ohio	26.8	8.0	7.3	First of Kenosha, Wis.	15.1	4.0	4.2	Northern Trust, Ill.	28.6	7.6	7.4
Bank One Trust, Ohio	25.2	8.4	(1)	First of Maryland	30.4	9.5	(1)	Northwestern Natl., Minn.	33.8	7.2	6.6
Bankers Trust A, N.Y.	35.3	9.9	8.0	First of Minneapolis, Minn.	22.5	6.4	7.1	Ohio Citizens Trust	35.5	8.8	7.4
Bankers Trust B, N.Y.	23.0	10.6	8.8	First of Mobile, Ala.	25.2	7.9	7.1	Old Kent, Mich.	26.2	7.5	7.2
Bessemer Trust, N.Y.	28.5	9.2	(1)	First of Oklahoma	27.9	4.7	(1)	Old National, Wash.	30.9	7.5	6.1
Beverly Bank, Ill.	29.9	10.5	(1)	First of Pa., Erie	22.4	9.8	7.0	Olympic Bank, Wash.	22.9	(1)	(1)
Boatmen's National, Mo.	34.9	11.6	(1)	First of Peoria, Ill.	18.1	7.9	(1)	Omaha Natl. Bank, Neb.	20.0	5.4	6.7
Boston Safe Deposit, Mass.	18.4	8.2	6.6	First of Shreveport, La.	31.5	(1)	(1)	Oregon Bank	22.6	9.4	7.9
Center Trust, Mo.	41.3	10.2	9.1	First of South Dakota	16.0	7.2	6.2	Ouachita Natl., La.	16.0	8.4	(1)
Central Bank, Denver	19.1	7.3	(1)	First Pennsylvania Bank	18.6	7.8	7.7	Pacific Mutual, Calif.	36.0	10.9	(1)
Central Fid., Lynchburg, Va.	28.8	8.9	5.6	First Tennessee, Chattanooga	30.1	9.2	6.3	Peoples Trust, Ind.	31.4	7.6	6.9
Central Fid., Richmond, Va.	28.6	7.1	6.2	First Tennessee, Memphis	35.4	8.1	3.8	Philadelphia Natl., Pa.	32.6	8.2	7.2
Central Natl., Cleveland	42.5	8.6	(1)	First Trust Corp., Colo.	28.0	6.7	6.7	Pioneer Bank, Ill.	34.3	(1)	(1)
Central Penn., Pa.	29.9	(1)	(1)	First Trust, St. Paul, Minn.	29.6	8.4	7.2	Pittsburgh National	28.5	10.8	(1)
Central Trust, Ohio	29.3	8.8	7.1	First Union Bank, N.C.	22.3	7.9	7.5	Provident National, Pa.	29.8	8.6	7.5
Chase Manhattan, N.Y.	35.2	8.4	(1)	First Variable Life, Ark.	28.3	(1)	(1)	Prudential, N.J.	29.9	7.8	(1)
Chemical Bank, N.Y.	26.1	6.7	6.9	First Wis. Natl., Madison	40.4	10.2	8.3	Puget Sound National, Wash.	23.3	9.1	8.1
Chicago Title & Trust	26.3	7.6	6.9	First Wis. Trust (Int. Mat.)	27.0	7.7	7.5	Rainier National, Wash.	26.5	6.5	6.4
Citibank, N.Y.	36.6	8.5	7.5	Fleet National Bank, R.I.	34.5	8.0	7.0	Republic Natl., Dallas	30.7	7.1	6.5
Citizens Fidelity, Ky.	33.0	10.0	7.8	Florida National Bank	24.8	6.6	(1)	Riggs of Washington	28.6	9.6	(1)
Citizens & Southern, Ga.	26.9	5.8	6.6	Fourth Natl., Tulsa, Okla.	25.8	7.7	(1)	Seattle Trust, Wash.	30.3	9.6	(1)
City Trust, N.J.	13.4	(1)	(1)	Fourth Natl., Wichita, Kan.	26.2	13.4	9.6	Seattle 1st Natl., Wash.	33.2	12.3	9.8
Citytrust, Conn.	33.8	8.1	5.4	Gary-Wheaton Bank, Ill.	25.0	9.0	(1)	Security Natl. Bank, W. Va.	28.2	(1)	(1)
Colonial Am. Natl., Va.	31.4	7.3	(1)	Genesee Merchants, Mich.	30.3	9.1	7.5	Security Pacific, Calif.	31.9	(1)	(1)
Colorado Natl. Bank	36.7	7.6	7.2	Girard Bank, Pa.	32.4	8.7	7.3	Security Trust, Rochester, N.Y.	29.3	7.7	6.9
Comerica Bank, Mich.	31.4	8.6	7.9	Greeley National, Colo.	24.7	9.1	(1)	Security-Peoples Trust, Pa.	29.1	9.3	7.4
Commerce Bank, K.C., Mo.	26.4	7.2	6.5	Hamilton Bank, Pa.	30.6	(1)	(1)	Shawmut of Boston, Mass.	26.7	7.7	7.0
Commerce Union, Tenn.	50.6	12.4	10.2	Harris Trust, Ill.	29.6	6.3	7.0	Shawmut of Boston (Int.), Mass.	23.2	(1)	(1)
Commonwealth Natl., Pa.	42.4	9.3	7.0	Hawaiian Trust	39.3	8.7	6.7	South Trust Bank, Ala.	35.1	8.7	7.3
Connecticut Bank & Trust	25.8	5.8	5.4	Hibernia National, La.	30.5	11.9	9.9	Southeast Bank NA, Fla.	25.5	7.8	7.3
Connecticut General	37.5	8.6	8.6	Horizon Trust, N.J.	31.4	7.6	(1)	State Mutual Life, Mass.	34.8	9.2	(1)
Connecticut National Bank	32.2	8.0	(1)	HT Investors Inc., R.I.	24.6	6.8	5.8	State National, Conn.	28.8	10.1	8.4
Continental Bank, Pa.	24.3	7.6	5.2	Indiana National Bank	29.7	9.6	(1)	State Street Bank, Mass.	31.7	7.5	6.9
Continental Illinois	23.4	6.1	6.6	Interfirst Bank, Austin, Tex.	32.9	7.5	6.9	St. Louis County Bank, Mo.	21.8	9.2	7.4
Crocker National, Calif.	31.5	8.9	7.9	Interfirst Inv. Mgmt., Tex.	35.3	8.9	7.2	Summit & Elizabeth, N.J.	27.2	9.4	7.8
Crown Life, Ont.	28.7	7.0	6.9	Intrawest, Colo.	36.5	8.5	(1)	Sun Bank, Fla.	31.7	8.1	(1)
Dauphin Deposit, Pa.	24.8	(1)	(1)	Irving Trust, N.Y.	35.7	8.7	7.6	Texas American Bank	28.3	8.2	6.9
Equibank, Pa.	26.4	7.9	(1)	Irwin Union Bank, Ind.	25.3	7.6	6.1	Texas Commerce	34.3	12.6	8.9
Equitable Life, N.Y.	33.6	5.8	5.7	Jefferson Trust, Ill.	18.4	10.8	9.2	Toledo Trust, Ohio	30.3	9.3	7.1
Equitable Trust, Md.	18.8	5.4	6.7	Key Trust Co., N.Y.	31.4	8.1	6.9	Travelers, Conn.	30.6	8.1	(1)
Exchange Natl., Chicago	29.6	8.0	7.1	Lake Shore Natl., Ill.	25.1	7.4	6.5	Trust Co. of Florida	22.7	10.3	(1)
Fidelity Bank, Okla.	32.4	7.5	6.6	Landmark First Natl., Fla.	36.0	8.9	5.9	Trust Co. of Georgia	31.3	7.7	6.8
Fidelity Bank, Pa.	25.2	12.3	9.3	Landmark Union Trust, Fla.	28.8	9.5	7.8	Trust SVCS of Amer., Calif.	34.8	6.5	6.7
Fidelity Natl., La.	28.9	(1)	(1)	LaSalle National, Ill.	25.5	6.6	6.4	Union Central, Ohio	28.7	7.6	7.3
Fidelity Union, N.J.	35.3	7.5	7.1	Liberty National, Okla.	34.3	5.9	6.8	Union Commerce, Ohio	27.2	6.9	4.6
Fidelity Union (Int.), N.J.	25.4	(1)	(1)	Lincoln National, Ind.	34.4	7.5	7.7	Union Natl., Wichita, Kan.	23.8	6.8	(1)
Fifth Third Bank, Ohio	25.6	(1)	(1)	Lincoln 1st, Rochester, N.Y.	30.0	6.9	6.2	Union Planters, Tenn.	41.2	10.4	8.1
First American Corp., Mich.	30.1	9.1	6.2	Long Island Trust, N.Y.	27.8	6.4	(1)	United Kentucky Bank	34.2	7.6	(1)
First American, Tenn.	33.1	5.7	4.5	Manufacturers Detroit	31.1	10.0	8.0	United Missouri, K.C.	25.5	8.8	7.7
First Bank, Milwaukee	28.4	10.0	6.9	Manufacturers Hanover, N.Y.	31.4	11.3	9.2	United of Denver	39.5	10.0	7.5
First Citizens, N.C.	19.0	(1)	(1)	Manufacturers & Trader, N.Y.	32.7	6.9	6.9	United Virginia Bank	29.9	8.2	7.5
First City, Austin, Tex.	32.3	(1)	(1)	Marine Midland, N.Y.	35.3	7.1	6.8	US Natl. of Oregon	36.3	6.4	(1)
First City, Dallas	21.8	6.9	6.1	Marine Trust, Wis.	25.3	9.6	7.4	US Trust, N.Y.	19.3	10.8	9.4
First City Natl., Houston	31.3	7.5	7.2	Marquette National, Minn.	20.7	8.0	7.3	Valley Natl., Ariz.	30.5	7.9	7.3
First Interstate, Denver	30.1	6.0	4.8	Maryland National	22.0	5.4	4.7	Virginia National	32.7	7.0	6.6
First Interstate of Ariz.	31.7	8.8	7.4	Massachusetts Mutual	29.6	8.7	8.2	Wachovia Bank, N.C.	41.5	9.3	8.0
First Interstate of Calif.	28.9	9.8	8.1	Mellon Bank, Pa.	14.0	3.2	(1)	Wheeling Dollar Bank, W. Va.	39.6	8.4	(1)
First Interstate of Nev.	27.4	(1)	(1)	Mercantile at Dallas	35.5	6.5	6.3	Wilmington Trust, Del.	28.5	7.8	7.0
First Interstate of Ore.	26.9	8.3	7.1	Mercantile National, Ind.	21.7	(1)	(1)				
First Interstate of Wash.	30.6	7.8	6.2	Mercantile Safe, Md.	29.3	9.6	8.4				
First Jersey Natl., N.J.	28.2	10.8	7.5	Mercantile Trust, Mo.	32.5	10.1	8.6				
First Kentucky Trust	38.4	9.9	8.2	Merchants National, Pa.	28.6	10.5	(1)				
First Merch., Richmond, Va.	32.8	11.9	9.1	Merchants Natl., Ala.	20.0	5.8	6.3				
First Natl., Jackson, Miss.	16.9	8.7	(1)	Merchants Natl., Ind.	27.3	9.1	7.6				
First Natl., Lincoln, Neb.	28.1	8.4	7.2	Mich. Natl. of Detroit	21.1	6.4	(1)				

LBKL Govt./Corp. Index 31.1 8.5 7.5
90-day Treasury Bills 10.6 10.7 (1)

(1) Fund too new.
(2) Failed to submit data by deadline date.

Equity performance

Cumulative periods
ending 12/31/82

	1 year	5 years	10 years		1 year	5 years	10 years		1 year	5 years	10 years
		%				%				%	
Aetna Life & Casualty, Conn.	20.8	15.3	6.2	First Natl. of Tulsa, Okla.	22.5	14.9	5.3	Moline National, Ill.	11.1	16.1	8.7
Allied Bank, Tex.	30.6	14.1	(1)	First Natl. State, N.J.	20.1	13.0	4.4	Morgan Guaranty (Comp.), N.Y.	19.6	13.0	4.8
American Bank, Pa.	14.2	4.2	3.3	First of Akron, Ohio	9.4	9.8	3.3	Mutual Benefit, N.J.	34.5	14.6	5.5
American Bank, Tenn.	26.6	14.0	4.5	First of Allentown, Pa.	6.8	13.8	(1)	Mutual of N.Y.	25.2	13.0	3.5
American Fletcher, Ind.	29.1	12.8	3.4	First of Bartlesville, Okla.	24.5	13.0	5.9	Nationwide Life Ins., Ohio	25.9	16.4	7.8
American National, Minn.	17.1	11.6	4.7	First of Birmingham, Ala.	47.4	18.8	12.4	Natl. Bank of Detroit	21.5	10.9	4.3
American Natl., Austin, Tex.	23.0	9.5	(1)	First of Boston, Mass.	24.4	14.0	3.9	Natl. City, Cleveland	23.9	17.8	7.2
Ameritrust, Ohio	20.5	12.8	6.1	First of Chicago	23.0	12.9	4.4	Natl. of Commerce, Neb.	22.2	22.2	(1)
BancTexas, Dallas	14.6	11.2	6.8	First of Cincinnati	22.8	14.4	5.8	Natl. of Commerce, Tex.	19.2	15.7	5.9
Bank of California	27.3	13.2	3.7	First of Elgin, Ill.	22.0	14.4	(1)	Natl. of Georgia	12.8	11.4	(1)
Bank of Delaware	30.0	16.0	6.8	First of Fort Worth, Tex.	24.2	18.1	7.4	Natl. of NA, N.Y.	25.5	14.5	3.9
Bank of New England, Mass.	23.6	13.6	5.5	First of Grand Island, Neb.	18.8	(1)	(1)	New England Mutual, Mass.	43.2	18.1	7.5
Bank of New York	11.3	12.2	5.0	First of Kansas City, Mo.	18.8	14.5	4.9	New Jersey National	23.1	13.3	4.3
Bank of Oklahoma	17.2	15.2	5.2	First of Kenosha, Wis.	9.8	12.5	8.6	North Carolina Natl. Bank	22.8	16.2	6.7
Bank of Southwest, Tex.	17.8	14.8	3.5	First of Maryland	17.4	14.9	(1)	Northern Trust, Ill.	29.0	16.7	5.1
Bank of the West, Calif.	22.2	(1)	(1)	First of Minneapolis	13.1	9.3	4.4	Northwestern Natl., Minn.	22.9	15.3	6.8
Bank One of Akron, Ohio	19.2	11.3	3.7	First of Mobile, Ala.	17.2	14.7	5.2	Occidental, Calif.	18.6	12.9	4.5
Bank One Trust, Ohio	34.8	16.7	(1)	First of Oklahoma	45.5	21.3	9.1	Ohio Citizens Trust	34.0	15.5	6.5
Bankers Life, Iowa	17.8	16.8	10.8	First of Pa., Erie	9.3	9.9	4.6	Old Kent, Mich.	25.2	13.5	3.7
Bankers Trust, N.Y.	25.8	16.0	3.5	First of Peoria, Ill.	13.2	12.3	3.5	Old National, Wash.	22.1	13.8	6.9
Bessemer Trust, N.Y.	28.8	22.7	12.9	First of Shreveport, La.	18.6	(1)	(1)	Old Second Natl., Aurora, Ill.	13.8	13.2	7.4
Beverly Bank, Ill.	13.0	15.6	(1)	First of South Dakota	-1.6	7.1	0.6	Olympic Bank, Wash.	19.3	15.7	8.6
Boatmen's Bank, K.C., Mo.	11.5	12.0	(1)	First of Pennsylvania Bank	18.9	13.0	8.0	Omaha Natl. Bank, Neb.	28.9	19.7	5.7
Boatmen's National, Mo.	26.8	14.4	(1)	First Tennessee, Chat.	36.1	17.1	8.1	Oregon Bank	20.8	11.5	5.8
Boston Safe Deposit, Mass.	27.2	12.2	3.4	First Tennessee, Memphis	23.9	15.0	4.3	Quachita Natl., La.	7.1	13.0	(1)
Capital Bank, Houston	-3.7	20.2	11.4	First Trust Corp., Colo.	19.8	20.1	11.5	Pacific Mutual, Calif.	11.7	15.3	6.8
Center Trust, Mo.	23.7	14.8	3.3	First Trust, St. Paul, Minn.	20.6	14.8	6.0	Penn. Mutual Life, Pa.	21.1	16.2	8.0
Central Bank, Denver	28.9	12.4	(1)	First Union Bank, N.C.	29.7	19.1	4.3	Peoples Trust, Ind.	17.8	7.4	3.8
Central Fid., Lynchburg, Va.	23.2	13.6	5.4	First Variable Life, Ark.	46.8	18.7	14.2	Philadelphia Life, Pa.	16.8	26.4	14.0
Central Fid., Richmond, Va.	25.3	14.6	6.2	First Wis. Natl., Madison	18.2	20.5	12.5	Philadelphia Natl., Pa.	25.0	19.8	7.6
Central Natl., Cleveland	27.4	13.3	(1)	First Wisconsin Trust	28.0	15.9	(1)	Phoenix Mutual, Conn.	20.0	17.6	7.8
Central Penn., Pa.	19.7	13.4	7.4	Fleet Natl. Bank, R.I.	15.9	13.5	4.0	Pioneer Bank, Ill.	21.5	(1)	(1)
Central Trust, Ohio	14.0	13.8	4.5	Florida Natl. Bank	25.5	11.2	(1)	Pittsburgh Natl.	10.1	12.7	(1)
Chase Manhattan, N.Y.	28.3	16.8	5.5	Fourth Natl. Tulsa, Okla.	12.3	14.8	(1)	Pittsburgh Natl. (QMS)	20.3	16.3	9.4
Chemical Bank, N.Y.	20.1	15.8	6.4	Fourth Natl., Wichita, Kan.	14.0	11.0	4.1	Provident Bank, Ohio	22.4	13.5	5.3
Chicago Title & Trust	22.2	15.3	6.7	Gary-Wheaton Bank, Ill.	36.2	15.3	3.5	Provident Mutual, Pa.	24.1	15.1	7.9
Citibank, N.Y.	26.3	17.3	5.1	General American, Mo.	24.5	12.5	2.2	Provident National, Pa.	24.1	17.3	8.4
Citizens Chillicothe, Mo.	25.7	26.6	12.8	Genesee Merchants, Mich.	16.4	16.8	4.1	Prudential (VCA 5)	14.1	14.5	5.9
Citizens Fidelity, Ky.	21.0	14.1	(1)	Girard Bank, Pa.	25.1	18.6	6.5	Puget Sound Natl., Wash.	23.1	15.7	5.3
Citizens & Southern, Ga.	19.8	11.6	6.3	Greeley Natl., Colo.	4.1	7.9	(1)	Rainier National, Wash.	21.4	17.5	7.4
City Trust, N.J.	35.3	(1)	(1)	Guardian Insurance, N.Y.	25.4	19.0	14.3	Republic Natl., Dallas	18.7	13.9	3.7
Cititrust, Conn.	22.5	15.6	7.2	Hamilton Bank, Pa.	18.0	15.7	3.1	Resource Trust Co., Minn.	32.3	(1)	(1)
Colonial Am. Natl., Va.	18.5	14.2	(1)	Harris Trust, Ill.	25.5	14.0	5.3	Riggs of Washington	23.4	13.9	(1)
Colorado National Bank	30.5	15.6	8.0	Hawaiian Trust	15.8	15.0	3.8	Seattle Trust, Wash.	22.0	12.8	(1)
Comerica Bank, Mich.	16.2	11.8	3.4	Hibernia National, La.	15.7	12.6	10.0	Seattle 1st Natl., Wash.	20.0	17.3	6.5
Commerce Bank, K.C., Mo.	22.1	12.5	3.5	Home Life, N.Y.	37.9	22.9	11.5	Security Natl. Bank, W. Va.	15.2	(1)	(1)
Commonwealth Natl., Pa.	33.3	17.7	(1)	Horizon Trust, N.J.	19.3	12.7	(1)	Security Pacific, Calif.	61.3	(1)	(1)
Connecticut Bank & Trust	32.0	15.1	4.4	HT Investors Inc., R.I.	28.1	16.0	6.5	Security Tr., Rochester, N.Y.	24.9	16.3	6.6
Connecticut General	21.5	19.4	8.0	Indiana National Bank	21.1	14.9	(1)	Security-Peoples Trust, Pa.	22.6	13.1	5.9
Connecticut National Bank	15.1	12.8	4.8	Interfirst Bank, Austin, Tex.	32.0	16.5	6.0	Sentry Life, Wis.	11.2	18.7	6.5
Continental Bank, Pa.	17.0	17.7	5.8	Interfirst Inv. Mgmt., Tex.	30.0	16.3	7.0	Shawmut of Boston, Mass.	18.4	8.5	2.2
Continental Illinois	19.8	14.6	3.6	Inrawest, Colo.	28.1	25.6	7.6	South Trust Bank, Ala.	15.8	9.5	(1)
CREF	21.9	13.8	4.9	Irving Trust, N.Y.	24.5	12.9	2.5	Southeast Bank, NA, Fla.	31.2	16.0	3.9
Crocker National, Calif.	19.9	15.1	6.4	Irwin Union Bank, Ind.	21.5	10.9	4.2	State Mutual Life, Mass.	23.8	17.6	2.9
Crown Life, Ont.	18.7	15.0	8.7	Jefferson Trust, Ill.	15.6	11.6	(1)	State National, Conn.	13.2	13.6	5.4
Dauphin Deposit, Pa.	30.0	(1)	(1)	Key Trust Co., N.Y.	22.1	12.8	4.6	State Street Bank, Mass.	23.6	15.9	4.8
Employers Life of Wausau, Wis.	33.6	24.5	(1)	Lake Shore Natl., Ill.	31.7	17.6	5.7	St. Louis County Bank, Mo.	12.7	13.2	4.8
Equibank, Pa.	18.6	9.3	(1)	Landmark First Natl., Fla.	9.4	(1)	(1)	Summit & Elizabeth, N.J.	21.9	8.6	5.2
Equitable Life (No. 1)	20.3	15.8	6.5	Landmark Union Trust, Fla.	25.9	16.5	9.2	Sun Bank, Fla.	29.1	16.1	(1)
Equitable Life (No. 4)	26.8	22.2	9.8	LaSalle National, Ill.	15.0	12.7	4.6	Texas American Bank	16.9	16.8	7.5
Equitable Trust, Md.	29.5	16.7	5.2	Liberty National, Okla.	18.7	15.6	8.6	Texas Commerce	26.4	18.6	4.8
Exchange Natl., Chicago	26.5	14.5	5.8	Life of Virginia	7.6	15.9	8.0	Toledo Trust, Ohio	23.0	11.5	3.9
Fidelity Bank, Okla.	19.3	11.7	2.7	Lincoln National, Ind.	20.8	12.9	3.8	Travelers, Conn.	15.1	15.2	6.6
Fidelity Bank, Pa.	13.5	9.1	2.4	Lincoln 1st, Rochester, N.Y.	8.9	9.6	4.1	Trust Co. of Florida	21.7	12.1	(1)
Fidelity Natl., La.	20.5	(1)	(1)	Long Island Trust, N.Y.	28.4	17.9	4.2	Trust Co. of Georgia	23.7	15.2	5.9
Fidelity Union, N.J.	22.8	16.0	5.6	Manufacturers Detroit	28.0	17.0	6.1	Trust SVCS of Amer., Calif.	21.6	14.7	6.4
Fifth Third Bank, Ohio	27.7	17.2	8.8	Manufacturers Hanover, N.Y.	15.6	15.7	3.6	Union Central, Ohio	23.8	14.3	6.7
First American Corp., Mich.	20.5	14.4	6.5	Manufacturers & Trader, N.Y.	-4.8	4.1	0.1	Union Commerce, Ohio	46.6	16.6	4.0
First American, Tenn.	23.1	12.8	3.7	Marine Midland, N.Y.	34.8	(1)	(1)	Union Natl., Wichita, Kan.	29.3	13.5	(1)
First Bank, Milwaukee	43.6	16.3	6.2	Marine Trust, Wis.	24.3	19.6	(1)	Union Planters, Tenn.	30.1	14.8	6.3
First Citizens, N.C.	25.0	(1)	(1)	Marquette Natl., Minn.	17.7	7.9	6.4	United Kentucky Bank	9.2	(1)	(1)
First City, Austin, Tex.	11.0	8.3	(1)	Maryland National	14.4	11.3	3.7	United Missouri, K.C.	20.2	13.9	6.1
First City, Dallas	21.4	10.4	6.1	Massachusetts Mutual	26.4	17.0	8.0	United of Denver	49.0	20.5	8.9
First City Natl., Houston	25.3	17.1	6.6	Mellon Bank, Pa.	13.9	10.5	1.9	United Virginia Bank	31.0	16.6	6.6
First Interstate, Denver	26.0	13.4	5.5	Mercantile at Dallas	35.6	20.7	8.3	US Natl. of Galveston, Tex.	25.1	18.8	12.1
First Interstate of Ariz.	25.3	13.7	2.5	Mercantile Natl., Ind.	34.1	(1)	(1)	US Natl. of Oregon	30.6	21.2	11.4
First Interstate of Calif.	24.7	14.1	5.8	Mercantile Safe, Md.	23.1	14.6	3.6	US Trust, N.Y.	6.0	11.0	0.1
First Interstate of Nevada	10.5	24.3	(1)	Mercantile Trust, Mo.	0.9	11.5	4.7	Valley National, Ariz.	28.1	11.6	2.7
First Interstate of Oregon	24.9	14.2	5.3	Merchants Natl., Pa.	20.7	11.8	(1)	Virginia National	24.5	14.6	4.0
First Interstate of Wash.	22.9	17.6	8.5	Merchants Natl., Ala.	22.4	11.2	4.7	Wachovia Bank, N.C.	20.1	12.5	2.6
First Jersey Natl., N.J.	15.5	13.5	6.2	Merchants Natl., Ind.	29.1	14.1	4.0	Wheeling Dollar Bank, W. Va.	25.7	18.3	(1)
First Kentucky Trust	29.2	15.3	6.5	Metropolitan Life, N.Y.	20.3	13.4	3.1	Wilmington Trust, Del.	25.6	14.1	5.1
First Merch., Richmond, Va.	20.2	12.8	(1)	Mich. Natl. of Detroit	23.5	11.4	3.4				
First Natl., Jackson, Miss.	-0.1	4.4	0.8	Mich. Natl. of Grand Rapids	23.1	11.7	8.2				
First Natl., Lincoln, Neb.	22.3	16.8	6.2	Midatlantic National, N.J.	25.9	13.8	6.1				
First Natl. of Commerce, La.	11.5	18.4	8.3	Minnesota Mutual	29.8	14.8	8.9				

Standard & Poor's 500

(1) Fund too new.

(2) Failed to submit data by deadline date.

Equity funds . . .

Continued from page 24

Natl. of Commerce, Neb.	22.2
First of Oklahoma	21.3
US Natl. of Oregon	21.2
Mercantile at Dallas	20.7
United of Denver	20.5
First Wis. Natl.	20.5
Capital Bank, Houston	20.2
First Trust Corp., Colo.	20.1
Philadelphia Natl., Pa.	19.8
Omaha Natl. Bank, Neb.	19.7
Marine Trust, Wis.	19.6
Connecticut General	19.4
First Union Bank, N.C.	19.1
Guardian Insurance, N.Y.	19.0
First of Birmingham, Ala.	18.8
US Natl. of Galveston, Texas	18.8
Sentry Life, Wis.	18.7
First Variable Life, Ark.	18.7
Girard Bank, Pa.	18.7
Texas Commerce	18.6
First Natl. of Commerce, La.	18.4
Wheeling Dollar Bank, W.Va.	18.4
First of Ft. Worth, Texas	18.1
New England Mutual, Mass.	18.1
Long Island Trust, N.Y.	17.9
Natl. City, Cleveland	17.8
Commonwealth Natl., Pa.	17.7
Continental Bank, Pa.	17.7
First Interstate of Wash.	17.6
Lake Shore Natl., Ill.	17.6
State Mutual Life, Mass.	17.6
Phoenix Mutual, Conn.	17.6
Rainier Natl., Wash.	17.5
Citibank, N.Y.	17.3
Seattle 1st Natl., Wash.	17.3
Provident National, Pa.	17.3
Fifth Third Bank, Ohio	17.3
First Tennessee, Chat.	17.1
First City Natl., Houston	17.1
Manufacturers Detroit	17.0
Massachusetts Mutual	17.0
Genesee Merchants, Mich.	16.8
Texas American Bank	16.8
Chase Manhattan, N.Y.	16.8
First Natl., Lincoln, Neb.	16.8
Bankers Life, Iowa	16.8
Equitable Trust, Md.	16.7
Northern Trust, Ill.	16.7
Bank One Trust, Ohio	16.7
United Virginia Bank	16.6
Union Commerce, Ohio	16.6
Landmark Union Trust, Fla.	16.5
Interfirst Bank Austin, Texas	16.5
Standard & Poor's 500	14.2

Ten-year returns

Guardian Insurance, N.Y.	14.3
First Variable Life, Ark.	14.2
Philadelphia Life, Pa.	14.0
Bessemer Trust, N.Y.	12.9
Citizens Chillicothe, Mo.	12.8
First Wis. Natl., Madison	12.5
First of Birmingham, Ala.	12.4
US Natl. of Galveston, Texas	12.1
Home Life, N.Y.	11.5
First Trust Corp., Colo.	11.5
US Natl. of Oregon	11.4
Capital Bank, Houston	11.4
Bankers Life, Iowa	10.8
Hibernia Natl., La.	10.0
Equitable Life (No. 4)	9.8
Pittsburgh Natl. (QMS)	9.4
Landmark Union Trust, Fla.	9.2
First of Oklahoma	9.1
United of Denver	8.9
Minnesota Mutual	8.9
Fifth Third Bank, Ohio	8.8
Crown Life, Ont.	8.7
Moline National, Ill.	8.7
First of Kenosha, Wis.	8.6
Liberty Natl., Okla.	8.6
Olympic Bank, Wash.	8.6
First Interstate of Wash.	8.5
Provident National, Pa.	8.4
Mercantile at Dallas	8.3
First Natl. of Commerce, La.	8.3
Mich. Natl. of Grand Rapids	8.2
First Tennessee, Chat.	8.1
First Pennsylvania Bank	8.0
Penn Mutual Life, Pa.	8.0
Connecticut General	8.0
Massachusetts Mutual	8.0
Life of Virginia	8.0
Colorado Natl. Bank	8.0
Provident Mutual, Pa.	7.9
Phoenix Mutual, Conn.	7.8
Nationwide Life Ins., Ohio	7.8
Intrawest, Colo.	7.6
Philadelphia Natl., Pa.	7.6
Texas American Bank	7.5
New England Mutual, Mass.	7.5
Old Second Natl., Aurora, Ill.	7.5
First of Ft. Worth, Texas	7.5
Central Penn., Pa.	7.4

Rainier National, Wash.	7.4
Citytrust, Conn.	7.2
Natl. City Cleveland	7.2
Standard & Poor's 500	6.8

Top quartile commingled fixed-income funds 3-month returns

American Natl., Austin, Tex.	21.1
Pioneer Bank, Ill.	13.4
Commerce Union, Tenn.	12.6
Marine Trust, Wis.	12.4
First Wis. Natl., Madison	12.2
First American, Tenn.	12.2
Wachovia Bank, N.C.	11.8
Bankers Trust (A) N.Y.	11.7
United of Denver, Colo.	11.7
First Kentucky Trust	11.5
Ohio Citizens Trust	11.3
Central Natl., Cleveland	11.1
Security-Peoples Trust, Pa.	10.9
First of Birmingham, Ala.	10.8
Commonwealth Natl., Pa.	10.6
Trust SVCS of Amer., Calif.	10.6
Union Planters, Tenn.	10.5

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 10 years

17.3%
 5 years

18.4%
 3 years

11.5%
 1 year

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Fixed funds . . .

New England Mutual, Mass.	10.5
Central Fid.-Lynchburg, Va.	10.5
Center Trust, Mo.	10.4
Interfirst Bank, Austin, Tex.	10.4
Citizens Fidelity, Ky.	10.4
Bank of California	10.3
Manufacturers & Trader, N.Y.	10.2
Key Trust Co., N.Y.	10.2
Fidelity Union, N.J.	10.1
Lincoln 1st, Rochester, N.Y.	10.1
Wheeling Dollar Bank, W.Va.	10.0
Liberty Natl., Okla.	9.9
Allied Bank, Tex.	9.9
Intrawest, Colo.	9.9
Colorado Natl. Bank	9.9
Texas Commerce	9.8
Chase Manhattan, N.Y.	9.8
Central Fid., Richmond, Va.	9.8
Colonial Amer. Natl., Va.	9.8
First Variable Life, Ark.	9.7
Virginia Natl.	9.7
Bank of New York	9.6
Morgan Guaranty, N.Y. (Comp.)	9.6
Hawaiian Trust	9.6
Marine Midland, N.Y.	9.6
First Tennessee, Memphis	9.6
First of Chicago	9.6
American Bank, Pa.	9.5
Massachusetts Mutual	9.5
State Street Bank, Mass.	9.5
American Natl., Minn.	9.5
Bank of Southwest, Tex.	9.5
Lincoln National, Ind.	9.4
Connecticut National Bank	9.3
Landmark First Natl., Fla.	9.3
Union Central, Ohio	9.3
Peoples Trust, Ind.	9.2
Old National, Wash.	9.2
United Kentucky Bank	9.2
Boatmen's National, Mo.	9.2
State Mutual Life, Mass.	9.2
HT Investors Inc., R.I.	9.1
Republic Natl., Dallas	9.1
Riggs of Washington	9.1
Citibank, N.Y.	9.1
Mercantile at Dallas	9.1
LBKL Index	8.3

One-year returns

	%
Commerce Union, Tenn.	50.6
Central Natl., Cleveland	42.5
Commonwealth Natl., Pa.	42.4
Wachovia Bank, N.C.	41.5
First of Birmingham, Ala.	41.4
Center Trust, Mo.	41.3
Union Planters, Tenn.	41.2
First Wis. Natl., Madison	40.4
Wheeling Dollar Bank, W. Va.	39.6
United of Denver	39.5
Hawaiian Trust	39.3
Allied Bank, Tex.	38.6
First Kentucky Trust	38.4
American Natl., Minn.	37.6
Connecticut General	37.5
Bank of California	37.0
Colorado Natl. Bank	36.7
Citibank, N.Y.	36.6
Intrawest, Colo.	36.5
Bank of New York	36.3
US Natl. of Oregon	36.3
First of Chicago	36.2
Pacific Mutual, Calif.	36.0
Landmark First Natl., Fla.	36.0
Irving Trust, N.Y.	35.7
Natl. of Commerce, Neb.	35.6
Mercantile at Dallas	35.5
Ohio Citizens Trust	35.5
First Tennessee, Memphis	35.4
Fidelity Union, N.J.	35.4
Bankers Trust, N.Y. (A)	35.3
Interfirst Inv. Mgmt., Tex.	35.3
Marine Midland, N.Y.	35.3
Chase Manhattan, N.Y.	35.2
South Trust Bank, Ala.	35.1
Boatmen's National, Mo.	34.9
State Mutual Life, Mass.	34.8
Trust SVCS of Amer., Calif.	34.8
Fleet Natl. Bank, R.I.	34.5
Lincoln National, Ind.	34.4
Texas Commerce	34.3
Pioneer Bank, Ill.	34.3
Liberty Natl., Okla.	34.3
United Kentucky Bank	34.2
Citytrust, Conn.	33.8
Northwestern Natl., Minn.	33.8
Equitable Life, N.Y.	33.6
First of Allentown, Pa.	33.5
American Bank, Pa.	33.3
Seattle 1st Natl., Wash.	33.2
First American, Tenn.	33.2
Citizens Fidelity, Ky.	33.0
New England Mutual, Mass.	32.9
Interfirst Bank, Austin, Tex.	32.9
Natl. Bank of Detroit	32.8
First Merch., Richmond, Va.	32.8
Manufacturers & Trader, N.Y.	32.7

Virginia National	32.7
First of Cincinnati	32.7
LBKL Index	31.1

Three-year returns

	%
First Merch., Richmond, Va.	17.5
American Natl., Austin, Tex.	17.4
Commerce Union, Tenn.	17.3
Seattle 1st Natl., Wash.	17.2
Fourth Natl., Wichita, Kan.	17.0
Allied Bank, Tex.	17.0
Texas Commerce	16.8
Bankers Trust, N.Y. (A)	16.2
Manufacturers Hanover, N.Y.	16.0
Union Planters, Tenn.	16.0
Center Trust, Mo.	15.9
Marine Trust, Wis.	15.8
First Jersey Natl., N.J.	15.6
Mercantile Trust, Mo.	15.5
Colonial Amer. Natl., Va.	15.5
First Kentucky Trust	15.2
Hibernia National, La.	15.1
State National, Conn.	15.1
Bank of New England, Mass.	15.1
Pacific Mutual, Calif.	15.0
Wachovia Bank, N.C.	14.9

Boatmen's National, Mo.	14.9
Pittsburgh National	14.8
American National, Minn.	14.8
Fidelity Bank, Pa.	14.8
Security-Peoples Trust, Pa.	14.7
First Natl. of Commerce, La.	14.7
Beverly Bank, Ill.	14.7
Landmark Union Trust, Fla.	14.5
Bankers Trust B, N.Y.	14.5
Riggs of Washington	14.4
Central Trust, Ohio	14.4
Central Natl., Cleveland	14.4
First of Maryland	14.3
Trust Co. of Florida	14.3
American Bank, Tenn.	14.2
First of Pa., Erie	14.2
Ohio Citizens Trust	14.2
Mercantile Safe, Md.	14.1
Indiana National Bank	14.1
First City Austin	14.1
First Bank, Milwaukee	14.0
Crocker National, Calif.	14.0
First of Kansas City, Mo.	14.0
First Interstate of Calif.	13.9
Puget Sound Natl., Wash.	13.9
St. Louis County Bank	13.9
Girard Bank, Pa.	13.9
Toledo Trust, Oh.	13.8

United of Denver	13.7
Landmark First Natl., Fla.	13.7
Hawaiian Trust	13.7
Bank of California	13.6
Manufacturers Detroit	13.6
State Mutual Life, Mass.	13.6
First Natl. State, N.J.	13.6
LBKL Index	13.2

Five-year returns

	%
Fourth Natl., Wichita, Kan.	13.4
Texas Commerce	12.6
Commerce Union, Tenn.	12.4
Fidelity Bank, Pa.	12.3
Seattle 1st Natl., Wash.	12.3
Hibernia National, La.	11.9
First Merch., Richmond, Va.	11.9
Boatmen's National, Mo.	11.8
American Natl., Austin, Tex.	11.4
Manufacturers Hanover, N.Y.	11.3
Allied Bank, Tex.	11.2
Pacific Mutual, Calif.	10.9
First Jersey Natl., N.J.	10.8
US Trust, N.Y.	10.8
Jefferson Trust, Ill.	10.8
Pittsburgh National	10.8
90-day Treasury Bills	10.7

Bankers Trust B, N.Y.	10.6
Merchants National, Pa.	10.5
Beverly Bank, Ill.	10.5
Bank of New England, Mass.	10.4
Union Planters, Tenn.	10.4
Trust Co. of Florida	10.3
First Wis. Natl., Madison	10.2
Center Trust, Mo.	10.2
State Natl., Conn.	10.1
Mercantile Trust, Mo.	10.1
United of Denver, Colo.	10.1
First Bank, Milwaukee	10.0
Manufacturers Detroit	10.0
Citizens Fidelity, Ky.	10.0
First Kentucky Trust	9.9
Bankers Trust, N.Y. (A)	9.9
First of Pa., Erie	9.8
First Interstate of Calif.	9.8
American National, Minn.	9.8
First of Elgin, Ill.	9.7
American Bank, Tenn.	9.7
Mercantile Safe, Md.	9.6
First Natl. of Commerce, La.	9.6
Seattle Trust, Wash.	9.6
Indiana National Bank	9.6
Marine Trust, Wis.	9.6
Riggs of Washington	9.6

Concluded on next page

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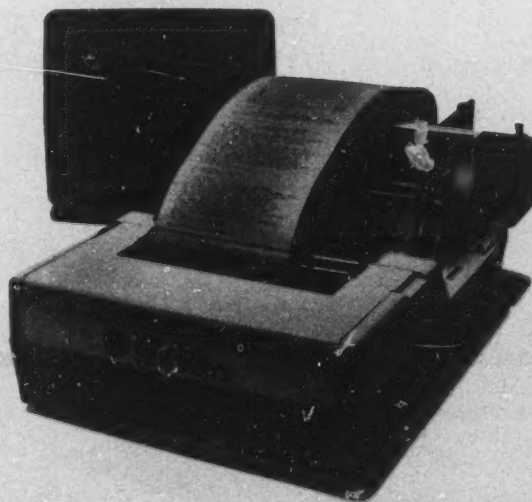
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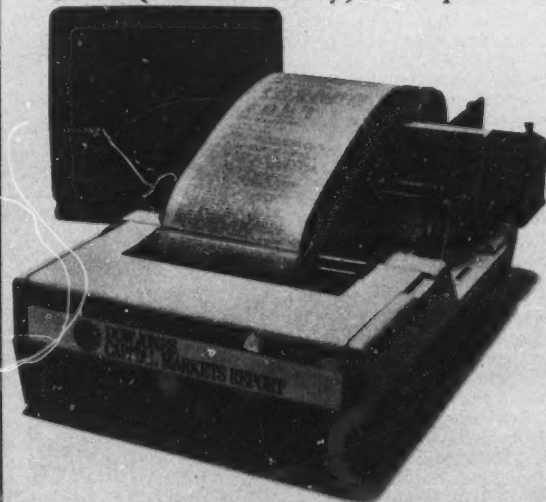


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Fixed funds . . .

Landmark Union Trust, Fla.	9.5
First of Maryland	9.5
Oregon Bank	9.4
Summit & Elizabeth, N.J.	9.4
Toledo Trust, Ohio	9.3
Security-Peoples Trust, Pa.	9.3
Commonwealth Natl., Pa.	9.3
BancTexas, Dallas	9.3
Wachovia Bank, N.C.	9.3
State Mutual Life, Mass.	9.3
First Tennessee, Chat.	9.2
North Carolina Natl. Bank	9.2
Bessemer Trust, N.Y.	9.2
First of Bartlesville, Okla.	9.2
St. Louis County Bank, Mo.	9.2
LBKL Index	8.5

Ten-year returns

Commerce Union, Tenn.	10.3
Hibernia National, La.	9.9
Seattle 1st Natl., Wash.	9.8
Fourth Natl., Wichita, Kan.	9.6
US Trust, N.Y.	9.4

Fidelity Bank, Pa.	9.3
Manufacturers Hanover, N.Y.	9.2
Jefferson Trust, Ill.	9.2
Center Trust, Mo.	9.2
First Merch., Richmond, Va.	9.1
Texas Commerce	8.9
Allied Bank, Tex.	8.8
Bankers Trust B, N.Y.	8.8
Mercantile Trust, Mo.	8.6
Connecticut General	8.6
Mercantile Safe, Md.	8.4
State Natl., Conn.	8.4
First Wis. Natl., Madison	8.3
Massachusetts Mutual	8.2
First Kentucky Trust	8.2
Union Planters, Tenn.	8.1
First Interstate of Calif.	8.1
Puget Sound Natl., Wash.	8.1
Morgan Guaranty, N.Y. (Comp)	8.0
Wachovia Bank, N.C.	8.0
Bankers Trust, N.Y. (A)	8.0
Manufacturers Detroit	8.0
First of Bartlesville, Okla.	8.0
Oregon Bank	7.9
Crocker National, Calif.	7.9
American Bank, Tenn.	7.9
Comerica Bank, Mich.	7.9
First Natl. of Commerce, La.	7.9

American Fletcher, Ind.	7.8
Citizens Fidelity, Ky.	7.8
Landmark Union Trust, Fla.	7.8
Summit & Elizabeth, N.J.	7.8
North Carolina Natl. Bank	7.7
American Fletcher (Int. Mat.)	7.7
United Missouri, K.C.	7.7
First Pennsylvania Bank	7.7
Lincoln National, Ind.	7.7
LBKL Index	7.5

Equity advisers beat indices

SAN FRANCISCO—Last year, more than half the equity managers surveyed by Callan Associates Inc. outperformed the S&P 500 stock index.

Fewer bond managers beat their index.

According to Callan, an employee benefits consulting firm, 58% of the 209 equity managers it surveyed beat the 1982 Standard & Poor's 500 return of 21.49%. Less than half, 43%, of 114 fixed-income managers beat the Lehman Bros. Kuhn Loeb Government/Corporate Bond Index. These managers together invest about \$560 billion in

assets.

Sixty percent of the equity managers beat the 15.22% return of the S&P 500 index over three years, ending in December 1982, and 67% beat the 14.06% index return for the five-year period. However, over 10 years, only 41% of the equity managers made a return above the 6.7% S&P 500 index.

Over three years, 42% of the bond managers' portfolios outpaced the Lehman Bros. index's 13.15% return; over five years, 49% beat the 8.44% index. The 7.46% 10-year return to that index was beaten by only 36% of the bond managers. ■

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Top equity funds by size

1-year returns Over \$100 million

Mercantile at Dallas	35.6
Equitable Life (No. 4)	26.8
Massachusetts Mutual	26.4
Citibank, N.Y.	26.3
Harris Trust, Ill.	25.5
Natl. City, Cleveland	23.9
Northwestern Natl., Minn.	22.9
CREF	21.9
Connecticut General	21.5
Natl. Bank of Detroit	21.5

\$50 million to \$100 million

Mutual Benefit, N.J.	34.5
US Natl. of Oregon	30.6
Interfirst Inv. Mgmt. Tex.	30.0
Chase Manhattan, N.Y.	28.3
Bankers Trust, N.Y.	25.9
Philadelphia Natl., Pa.	25.0
Provident Natl., Pa.	24.1
Trust Co. of Georgia	23.8
First of Chicago	23.0
Ameritrust, Ohio	20.5

\$10 million to \$50 million

Security Pacific, Calif.	61.3
First of Birmingham, Ala.	47.4
First Variable Life, Ark.	46.8
New England Mutual, Mass.	43.2
Conn. Bank & Trust	32.0
Colorado Natl. Bank	30.5
Bank of Delaware	30.0
Minnesota Mutual	29.8
Equitable Trust, Md.	29.5
Northern Trust, Ill.	29.0

Under \$10 million

United of Denver	49.0
Union Commerce, Ohio	46.8
First Bank, Milwaukee	43.6
Home Life, N.Y.	37.9
First Tennessee, Chat.	36.1
Ohio Citizens Trust	34.0
Commonwealth Natl., Pa.	33.3
Interfirst Bank, Austin	32.0
Southeast Bank, Fla.	31.2
Allied Bank, Tex.	30.6

10-year returns

Over \$100 million

Bankers Life, Iowa	10.8
Equitable Life (No. 4)	9.8
Mercantile at Dallas	8.3
Connecticut General	8.0
Massachusetts Mutual	8.0
Natl. City, Cleveland	7.2
Northwestern Natl., Minn.	6.8
Travelers, Conn.	6.6
Equitable Life (No. 1)	6.5
Chemical Bank, N.Y.	6.4

\$50 million to \$100 million

US Natl. of Oregon	11.4
Provident National, Pa.	8.4
First Pennsylvania Bank	8.0
Life of Virginia	8.0
Philadelphia Natl., Pa.	7.6
Interfirst Inv. Mgmt. Tex.	7.0
Pacific Mutual, Calif.	6.8
Sentry Life, Wis.	6.5
Crocker Natl., Calif.	6.4
Ameritrust, Ohio	6.1

\$10 million to \$50 million

Guardian Insurance, N.Y.	14.3
First Variable Life, Ark.	14.2
Bessemer Trust, N.Y.	12.9
First Wis. Natl., Madison	12.5
First of Birmingham, Ala.	12.4
US Natl. of Galveston, Tex.	12.1
First Trust Corp., Colo.	11.5
Hibernia National, La.	10.0
Landmark Union Trust, Fla.	9.2
Minnesota Mutual	8.9

Under \$10 million

Philadelphia Life, Pa.	14.0
Citizens Chlicothe, Mo.	12.8
Home Life, N.Y.	11.5
Capital Bank, Houston	11.4
Pittsburgh Natl. (QMS)	9.4
United of Denver, Colo.	8.9
Crown Life, Ont.	8.7
First of Kenosha, Wis.	8.6
Olympic Bank, Wash.	8.6
First Natl. of Commerce, La.	8.3

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22.2% median . . .

Continued from page 23
First National Bank of Denver), 26.5%.

For the five-year span, Citizens Chillicothe Bank, Missouri, scored the highest with a 26% return on investment. Philadelphia Life, a subsidiary of Tenneco Financial Service Inc., has a 26.4% rate of return and Intrawest again places in the top third with 25.6%.

For the past decade, Guardian Life Insurance Co. of America, New York, scores first place with 14.3%. Meridian Management was second for the decade with a 14.2% return, and also was the fourth-highest scorer last year and top decile performer.

Philadelphia Life comes in third place with a 14% return for the past decade. However, Tom Witt, vice president-Tenneco, declined comment on the company's equity strategy.

The majority of the managers interviewed who had high returns last year point to disinflation plays in consumer-related and interest-sensitive issues.

Specific sectors dishing out high returns to managers were the brokerage firm stocks, consumer-related and capital goods stocks, health care, mobile homes, medical and technology stocks.

Very few managers were able to get good numbers from smart plays in smokestack industries or emerging-growth stocks, but Lee Boden-

hamer, president of Meridian Management, was one manager who did very well this way.

In the long haul, successful and consistent money managers most commonly define themselves as contrarians and "bottom-up" stock pickers, excelling in picking the undervalued, out-of-favor or "squeezed bone dry" stocks.

Interestingly, only one manager interviewed—First Interstate Investment Advisers—is a successful and self-defined market timer.

While First Interstate had a good three-year track record and a fantastic year in '81 from its 100% cash position, 1982 caused problems because of the firm's investment in non-performing interest-sensitives and consumer stocks, according to Robert Lee, president.

For a profile of consistency and excellence, a closer look at First of Birmingham is in order. John Goff Jr., senior vice president of the bank's trust department, swears by the undervalued, out-of-favor strategy.

In addition, he said, the consistent top decile performance for the past decade is partially attributable to the bank's adhering to its investment strategy and philosophy.

The bank's buy strategy is the undervalued stocks, but its sell strategy is based on the economic outlook at the time. Lastly, the bank looks at sectors of the market.

"We don't weight portfolios like the S&P 500 and tend to be underdiversified as a result," he said. The bank also concentrates on the "normalized"—read realistic—earnings of a company, he said.

First of Birmingham moved into the interest-sensitive and consumer areas in the early part of '81, Mr. Goff said, when the bank was looking for a big slowdown in the economy affecting long- and short-term interest rates.

Specifically, the bank made money in the money-center bank stocks and Federal National Mortgage Association securities.

In 1982, the bank moved heavily into the bank and auto stocks, he said, and moved a percentage of cash into the building industry as well. Also last year, the bank went into some of the companies with cyclical types of earnings, right before the big market push in August, he said.

First of Birmingham also did very well in three retail stocks in which it had heavy commitments. At the same time, it got good returns on its tire and rubber stocks too.

While the bank has not made any major shifts in its equity portfolio this year, Mr. Goff did say the bank is looking into the heavy cyclical stocks, such as steel, chemical and coal stocks. However, because of the uncertain outlook for these industries, the moves are still being contemplated.

Bush seeks comments

WASHINGTON—The Task Group on Regulation of Financial Services, chaired by Vice President George Bush, has requested public comment and proposals for reform of the financial regulatory structure.

The task group particularly is interested in obtaining information on the cost of complying with the statutory and regulatory requirements. Those interested in submitting opinions should send two copies of written data to: Task Group on Regulation of Financial Services, Room 1060, Department of the Treasury, 15th Street and Pennsylvania Avenue N.W., Washington D.C., 20220.

January, 1983

The Equitable Life Mortgage and Realty Investors

has been acquired by

The Equitable Life Assurance Society of the United States

The undersigned acted as financial and real estate advisor to The Equitable Life Mortgage and Realty Investors in connection with this transaction and assisted in the related negotiations.

Salomon Brothers Inc

One New York Plaza, New York, New York 10004
Atlanta, Boston, Chicago, Dallas, London (affiliate)
Los Angeles, San Francisco, Tokyo (affiliate)
Member of Major Securities and Commodities Exchanges.

Top fixed funds by size 1-year returns Over \$100 million

Center Trust, Mo.	41.3
Connecticut General	37.5
Citibank, N.Y.	36.6
First of Chicago	36.2
Chase Manhattan, N.Y.	35.2
Texas Commerce	34.3
Equitable Life, N.Y.	33.6
Natl. Bank of Detroit	32.8
Comerica Bank, Mich.	31.4
Manufacturers Han., N.Y.	31.4

\$50 million to \$100 million

Intrawest, Colo.	36.5
Marine Midland, N.Y.	35.3
Northwestern Natl., Minn.	33.8
Northern Trust, Ill.	28.6
Fidelity Bank, Pa.	25.2
First of Minneapolis	22.5
First Pennsylvania Bank	18.6

\$10 million to \$50 million

Central Natl., Cleveland	42.5
Commonwealth Natl., Pa.	42.4
First of Birmingham, Ala.	41.4
First Wis. National	40.4
United of Denver, Colo.	39.5
Hawaiian Trust	39.3
Colorado National Bank	36.7
US Natl. of Oregon	36.3
Natl. of Commerce, Neb.	35.6
Mercantile at Dallas	35.5

Under \$10 million

Commerce Union, Tenn.	50.6
Union Planters, Tenn.	41.2
Wheeling Dollar Bank	39.6
Allied Bank, Tex.	38.6
American National, Minn.	37.6
Bank of California	37.0
Pacific Mutual, Calif.	36.0
Ohio Citizens Trust	35.5
Fidelity Union, N.J.	35.4
South Trust Bank, Ala.	35.1

10-year returns Over \$100 million

US Trust, N.Y.	9.4
Manufacturers Hanover, N.Y.	9.2
Center Trust, Mo.	9.2
Texas Commerce	8.9
Connecticut General	8.6
Comerica Bank, Mich.	7.9
Citibank, N.Y.	7.5
Natl. Bank of Detroit	7.3
First of Chicago	7.2
Hasris Trust, Ill.	7.0

\$50 million to \$100 million

Fidelity Bank, Pa.	9.3
First Pennsylvania Bank	7.7
LBKL Govt. Corp. Index	7.5
Northern Trust, Ill.	7.4
First of Minneapolis	7.1
Marine Midland, N.Y.	6.8
Northwestern Natl., Minn.	6.6

\$10 million to \$50 million

Hibernia National, La.	9.9
Seattle 1st Natl., Wash.	9.8
Fourth Natl., Wichita, Kan.	9.6
Jefferson Trust, Ill.	9.2
First Merch., Richmond, Va.	9.1
Bankers Trust B, N.Y.	8.8
Mercantile Trust, Mo.	8.6
First Wis. National	8.3
Massachusetts Mutual	8.2
First Interstate of Calif.	8.1

Under \$10 million

Commerce Union, Tenn.	10.3
Allied Bank, Tex.	8.8
State Natl., Conn.	8.4
Union Planters, Tenn.	8.1
Prudential Sound Natl., Wash.	8.1
First of Bartlesville, Okla.	8.0
Oregon Bank	7.9
American Bank, Tenn.	7.9
First Natl. of Commerce, La.	7.9
Lincoln National, Ind.	7.7

Pooled fixed funds . . .

Continued from page 23

ally exchanged some of that for other zero-coupon issues. Today, the portfolio still consists of 60% zero coupon issues, with 30% of the total portfolio in the Pepsico issue.

Pioneer Bank, Chicago, ranked second for the quarter with 13.4%, considerably behind American National. The third-place ranking at 12.6% was held by Commerce Union Bank, in Nashville, and the fourth by Marine Trust Co., Milwaukee, at 12.4%.

Commerce Union Bank also garnered the best return for the year with 50.6%, and top places in the three-, five- and 10-year statistics. In the three-year figures, Commerce ranked third with 17.3%; it was second for the five-year period with 12.4%; and was first, at 10.3%, for 10 years.

Commerce's fixed-income strat-

egy, according to Weaver Barksdale, senior vice president, relied heavily on timing considerations, moving the portfolio in and out of the bond market based on an analysis of economic conditions and an expectation of the cycle of interest rates. The portfolio's good returns in the past 1½ years can also be attributed to a strategy of utilizing zero-coupon issues, he added.

Other top performers for the one-year statistics included Central National Bank, Cleveland, in second place with a return of 42.5% and Commonwealth National Bank, Harrisburg, Pa. with 42.4%.

The median fund at 29.4%, however, again was below the 31.1% for the index.

For the three-year span, the top performers besides Commerce Union were First Merchant Bank, Richmond, Va., with an annualized

return of 17.5% and American National Bank of Austin with 17.4%.

First Merchant Bank achieved first place in the three-year statistics with its practice of buying out-of-favor and newer sectors of the bond market until those sectors became more popular, and then selling them and replacing them with more out-of-favor issues, according to Stuart Sachs, senior vice president, trust investment division.

The five-year statistics showed Fourth National Bank and Trust Co., Wichita, Kan. in top place with an annual return of 13.4%; Texas Commerce Bank, Houston, second with a return of 12.6%; and Commerce Union in third with 12.4%.

Fourth National attributed its return to good market timing. The fund moved to a 10% position in commercial paper, short Treasuries, and short-term governments in mid-1978 and then maintained that position until late 1980, said Cleo G. Simmonds, vice president in charge of trust investment.

In the past two years, the fund has moved to a fully invested position, using a combination of 20-to-30-year bonds, zero-coupon issues and a few deep discount bonds.

Some of those sectors that were utilized heavily during the past three years included floating-rate notes, U.S. Treasury bonds, Government National Mortgage Association securities and A and Baa rated electric utility high coupon cushion bonds.

The median fixed-income fund for three years at 12.4% continued to underperform the index's 13.2%, and again in the five- and 10-year statistics. At five years, the median was 8.1% compared with 8.5% for the index, and for 10 years, the index received 7.5% while the median was at 7.1%.

For 10 years, Commerce Union achieved the top return with 10.3%, Hibernia National Bank, New Orleans, was second with 9.9% and Seattle-First National Bank, Seattle, was third with 9.8%.

*This announcement is neither an offer to sell nor a solicitation of offer to buy any of these securities.
The offering is made only by the Offering Circular.*

NEW ISSUE

February 16, 1983

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SallieMae

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(Par Value \$50 Per Share)

Price \$50 Per Share

plus accrued dividends, if any, from the date of original issue

Dividend Rate through June 30, 1983 at 9% per annum

After the dividend period ending June 30, 1983, the dividend rate will be reset quarterly. It will be equal to 4.50% less than the highest of: the Three Month Treasury Bill Rate, the Ten Year Treasury Constant Maturity Rate and the Twenty Year Treasury Constant Maturity Rate. The dividend rate for any dividend period will not be less than 5% per annum nor greater than 14% per annum.

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Features

Passport to foreign investing

Local market, not currency, may be ticket to good return

By Barry Gillman

WHEN THE subject of pension funds investing internationally is discussed, comments such as the following often are heard.

"International investments only do well when the dollar is weak."

"Currency movements are the most volatile element of international investing."

"No one can successfully predict currency movements."

We believe the third statement is arguable and the other two are untrue.

However, recent currency fluctuations have gained them wide acceptance at a time when fundamental analysis techniques appear to have gone awry in forecasting exchange rates.

In this article, some facts and figures are examined to check just how important currency swings have been in recent years, notably since the era of floating exchange rates started in 1973.

But first, are these swings really unpredictable?

Conventional long-term fundamental forecasts rely heavily on relative inflation differentials between different countries. However, using this model as a short-term predictor is not useful.

The reason is simple. Currencies tend to move cyclically around these theoretical parties, and the typical peak to trough of this

cycle may be as long as three to four years. Thus, a currency can remain "overvalued" or "undervalued" for some time without contradicting the model.

During the past couple of years, the strength of the dollar and corresponding weakness of other currencies such as the yen and deutsche mark has caused many analysts to throw their hands in the air and their forecasts out the window, as currency movements flew in the face of long-term analytic logic.

It may well be that the past two years merely represent a large but nevertheless cyclical swing around the long-term trend. If so, the next two years may see the corresponding cyclical correction.

Whether this turns out to be the case or not, plan sponsor attention is now firmly focused on the volatility of currency swings. How justifiable are these fears?

Let's look at 1973-'81; nine calendar years encompassing the era of floating exchange rates, as well as major bull and bear markets on the world's stock exchanges.

Taking a simplistic "broad-brush" approach, we compared the annual arithmetic average of both currency and local market movements over the nine years, disregarding whether these movements were plus or minus (see Table 1). The result is shown in the two left-hand columns of the table.

Clearly the average market swings (ranging from 12% in Germany to 52% in Hong

Kong) were significantly greater than the average currency swings (3% in Canada to 12% in Japan).

The difference is even more pronounced when you look at the extremes in these movements. The biggest move in any currency in any year was 23% (the yen in 1978).

However, the biggest market move in any year was a massive 152% (U.K. in 1975). This is more evidence that the real key is in the local markets, not the currency.

Another important factor starts to become clear when you look at the cumulative figure over the whole period.

Currency movements tend to cancel out over time, but market movements accumulate. This is shown in the "aggregate effect" columns on the chart.

The aggregate currency moves over nine years include four negatives and three positives, bracketing a range of minus 19% to plus 43%. However, all the market moves were positive, ranging from 43% in Germany to 168% in Canada.

The last column in the table acts as a score card showing in how many of the nine years currency was a more important component of return than the local market for each country.

With the exception of Germany, the answer is not many. Thus, it seems safe to conclude that if the international investor is going to concentrate his primary efforts on either markets or currencies, it makes sense

to look at markets first, currencies second.

Of course, it would be nice to get both market and currency judgments right. In fact, it's not uncommon to hear investors claim that markets and currencies tend to move up or down together, so there really is only one judgment to be made. Let's examine this in the light of the experience between 1973 and 1981.

Once again, we've taken a "broad-brush" approach. Table 2 breaks down for each country how the direction of currency moves against the dollar varied according to whether the local market was heading up or down.

Although the results vary country by country, the bottom line totals are interesting. In local bull markets, the currency move was down as often as it was up.

This suggests that the strong market/strong currency hypothesis may not hold water.

In local bear markets, there are more currencies up than down, but the data is by no means conclusive.

So, when pension plan sponsors gather to discuss international investing, it may be appropriate to put currency firmly in its place on the agenda—but not as the top item. ■

Barry Gillman is vp of international investments at Citi-Investments, New York. He is a fellow of the Institute of Actuaries and an associate of the Society of Actuaries.

The Significance of Currency Movements

Period Covering Calendar Years 1973-1981*

	Average % Currency Swing	Average % Market Swing	Biggest % Currency Swing	Biggest % Market Swing	Aggregate % Currency Effect	Aggregate % Market Effect	Years of Currency Dominance (Maximum 9)
U.S.	—	19.3	—	37.3	—	55	—
Japan	12.2	16.6	23.3	24.3	37	72	3
U.K.	9.8	39.0	-20.6	152.0	-19	142	2
Canada	2.6	20.3	7.6	50.6	-19	168	1
Germany	10.7	12.0	18.4	41.8	43	43	6
Australia	7.5	26.3	16.7	57.5	-12	102	1
Hong Kong	5.0	51.9	11.0	118.6	0	110	0
France	8.9	19.8	-20.7	53.9	-10	70	4
Singapore	5.3	34.4	13.4	70.8	38	75	1

*Currency movements measured against the dollar. Market movements include reinvested dividends and are in local currency.

	Bull Markets		Bear Markets	
	Currency up	Currency down	Currency up	Currency down
Japan	3	3	2	1
U.K.	4	3	1	1
Canada	2	5	1	1
Germany	3	4	2	0
Australia	3	3	1	2
Hong Kong	1	4	3	1
France	3	2	2	2
Singapore	6	1	2	0
Total				
Observations	25	25	14	8

Note: Chart is based on discrete data for calendar years 1973-81.